

JPRS 75811

3 June 1980

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2013



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements, issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available from Bell & Howell, Old Mansfield Road, Wooster, Ohio 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

3 June 1980

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2013

CONTENTS

INTERNATIONAL AFFAIRS

- Problems With Investment of Polonia Capital in Poland,
CEMA, Discussed
(Eugeniusz Zawadzki; SPRAWY MIEDZYNARODOWE, Feb 80) 1

- Briefs
German-Polish Coal Gasification Project 19

ALBANIA

- Savings Account Deposits Twice 1970 Figure
(Fadil Kepi; ZERI I POPULLIT, 25 Apr 80) 20

- Subjective Factors Cited as Cause of Economic Shortfalls
(Editorial; RRUGA E PARTISE, Feb 80) 21

- Briefs
First 12.5 KW Electromotor 22

CZECHOSLOVAKIA

- Comprehensive Modernization in Engineering Industry Ordered
(Vaclav Svoboda, Ladislav Stastny; HOSPODARSKE
NOVINY, 21 Mar 80) 23

GERMAN DEMOCRATIC REPUBLIC

- Proper Timing of Agricultural Work Emphasized
(Dieter Ebert et al, interview; BAUERN-ECHO,
12-13 Apr 80) 30

Figures Published on Use of Secondary Raw Materials (PRESSE-INFORMATIONEN, 3 Apr 80)	37
---	----

HUNGARY

Faluvegi Lecture at MSZMP Political Academy Published (Lajos Faluvegi; PENZUGYI SZEMLE, Apr 80)	47
Statements Made by Hungarian, Indian Bank Presidents (MAGYAR HIRLAP, 1 May 80)	76

ROMANIA

New Regulations Designed for Economy in Packaging (Vasile Panescu; REVISTA ECONOMICA, 29 Feb 80)	78
Considerations Involved in Industrial Energy Conservation (Titus Berinde; REVISTA ECONOMICA, 29 Feb 80)	83

YUGOSLAVIA

Kiro Gligorov Discusses Economic Problems (Kiro Gligorov Interview; RAD, 23 Apr 80)	91
--	----

PROBLEMS WITH INVESTMENT OF POLONIA CAPITAL IN POLAND, CEMA, DISCUSSED

Warsaw SPRAWY MIĘDZYNARODOWE in Polish No 2, Feb 80 pp 111-124

[Article by Dr Eugeniusz Zawadzki, Chief Specialist at the Socio-Economic Research Institute of the Research and Development Center of CZSBM]

[Text] Economic cooperation between Poland and Polonia to date has been concentrated mainly in the sphere of international commodity turnover. This situation was caused to a considerable degree by the tendency of Polonia contractors to participate in trade jobbing.

The Polish foreign trade enterprises, which as a rule have a sales network set up on the foreign markets, fearing a drop in exports with a change in commercial agent, were not always pleased with this type of cooperation. The guidelines of our trade policy abroad tend toward limited use of a foreign middleman, and toward substituting our own sales network to the greatest possible degree.

The unfavorable economic situation in which Poland has found itself during recent years (negative trade and payments balance, necessity for allocating a considerable part of foreign exchange revenues for the payment of extended credits) calls for a search for new solutions for assuaging the barriers to growth that have come about.

One of the possible solutions could be that of permitting Polonia capital to be invested in the mother country on a wider scale than has been the case thus far.

The legal regulations enacted in 1976-1979 make it potentially possible to stimulate and expand cooperation with Polonia with respect to investment activity, especially in the field of services and production. The assumption of investment activity is a task that is indisputably more difficult than that of participating in commodity turnover, but it is a task that yields greater results and more permanent ties for long-term periods. Both the Polonia and the domestic contractors can be equally interested in this kind of long-term cooperation.

Certain fields of services and production in Poland are still inadequately developed. Therefore, there is a possibility for Polonia to participate in their development. In this respect, it has to be noted that this does not only concern the well known stereotype of hotel or restaurant services, but, in reality, truly comprehensive service and production activity, for example, in the construction of one-family homes, construction materials factories using local materials, car washes, tire retreading, etc.

The investment cooperation in the services and production field has specific advantages in its favor, since it does not require large financial outlays. It is typified by a short period of preparation of the investment and it guarantees a market for many years, which, of course, guarantees a steady adequate profit.

The Nature of Polonia as an Economic Partner

In making an analysis of Polonia from the standpoint of its partnership in investment cooperation with Poland, one must not fail to heed the part that Polonia plays in its countries of settlement and what kind of influence it wields.

In speaking about the achievements of Polonia and its contribution to the economic development of the new homelands, special attention must be paid to the economic difficulties it encountered. They were connected in large measure to the lack of a suitable financial and technical support base. This fact was the main reason why in the past the members of Polonia were overshadowed by certain other ethnic groups (who had financial support from their mother countries) and were among the lowest paid groups, relatively speaking.

The qualitative growth of the position of Polonia came about only after World War II. Undoubtedly, this occurred because of a combination of facts, such as: transformation of Polish ethnic groups as a result of the influx of the new wartime emigrees, who were mainly of a higher intellectual level, an increase in wealth, an increase in interest toward achieving a higher education, and education in general, which was recognized as the surest way to attain improvement in economic and social conditions. One must also agree with the view, that the position of the emigrees and their offspring depends on the position in the world of their country of derivation. The dynamic development of Poland, especially during the last dozen or so years also has no small effect on the rise in the position of Polonia.

The evaluation of the current political, intellectual, and economic potential of Polonia in foreign countries can best be made on the example of American Polonia, which encompasses the most numerous group of persons of Polish descent (over 50 percent) and has been relatively well researched.

In line with the surveys conducted in March 1972, on the basis of a census, Americans of Polish descent, according to various standards of success in life, are already numbered among the most privileged American ethnic groups. It is calculated that in the United States there exist at least 150 firms belonging to persons of Polish descent, each of which has annual turnover of 10 million dollars and over apiece.

The list of big businessmen of Polonia can be opened with the name of Edward Piszek, owner of the large food-industry plants in Philadelphia, Mrs Paul's Kitchens, Inc., who is counted in the millionaire category, and is an active participant in a number of projects and campaigns in Polonia. Ray Krocowski-Kroc works in a similar field. After World War II, he started off as a proprietor of a small restaurant in Chicago, and after inventing a mixer and an automatic hamburger-making machine, he became the owner of the McDonald company, which has 315 restaurants [sic] in the United States, and is rapidly entering the world market. M. Kafarski is president of the Actron Corporation chemical firm in Detroit, and inventor Dr Tadeusz Sendzimir, the director of the T. Sendzimir and Co. enterprise, is closely connected with the life of Polonia groups, occupying a post, among others, on the Board of Directors of the Kosciuszko Foundation. The GPC Found Co., which is headed by Walter Drozdowski, conducts transactions with Poland. The same kind of cooperation with our country is conducted by the Tyler Corporation of Boston (W. Gorski, president), which among other things, buys bicycles from Poland.

Czeslaw Sawko, President of the R.C. Coil Spring Manufacturing Co., and the owner of two factories worth several millions of dollars, is considered to be one of the richest Poles in the United States. He, just like Mieczyslaw Stopa, owner of the largest construction firm in Colorado, came to the United States right after World War II.

Of course, this is an incomplete list of the representatives of Polonia, who signify considerable financial and technical capital, and who participate in Polonia organizations and express a desire for cooperation with Poland. Considerably more persons of Polish origin work at various responsible posts in large American corporations. Among such are Antoni L. Lapczynski--the Vice President for Executive Matters of the international investment banking firm, Lehman Brothers, Inc., with headquarters in New York, and Edward Czepor--general director of one of the General Motors divisions, and others.

It is worth mentioning Mitchell Kobelinski--a banker, who was the founder of the Kopernik Foundation. He attained a high position equivalent to that of minister, in the American Small Business Administration. He is demonstrating great activity and dynamism in investment cooperation with Poland, and thus far, among other investors from Polonia, he has committed himself to a most ambitious range of investment undertakings in Poland.

The aforementioned examples composing directly and indirectly the socio-economic potential of Polonia, should be completed with the addition of firms and enterprises from other continents and countries of settlement. Here, one can name such businessmen of Polish descent as E. Antkowiak of Denmark, F. Berka of England, L. Grabowski and J. Fulke of the FRG, J. Zygmunt of Switzerland, and J. Zarzecki of France, who, for example, are engaged in the joint organization of production cooperation of household articles in Poland and for export. In South America, for example, J. Nawrocki and Augusto O. Skrzypek are operating in Brazil, and J. Skoryna is operating in Mexico. Also, there are Polonia firms in Africa that have contacts with Poland, for example, L. Dutkiewicz of the Union of South Africa, and S. Dzedzic of Ivory Coast.

One must not forget the importance that Polonia organizations of such types as insurance associations, banking groups, societies, foundations, and other types, which represent an important economic (capital) force, have in the economic life of Polonia.

A summary check of the characteristics of the economic position of Polonia shows that Polonia of the 1970's--in contrast to its image before and after the World War II--displays a completely new quality. Polonia of today has at its disposal a technical and financial potential that is already considerable. Thanks to the knowledge of the markets in which it operates, and at the same time, thanks to the language and emotional ties that connect it with Poland, it can become a good basis of partnership for the development of economic cooperation--which also includes investment cooperation with Poland.

Legal Regulation of Investment Activity of Polonia

Poland has individual legal regulations governing the principles of granting foreign juridical and physical persons permission to conduct certain types of economic activity, and the principles of the formation and activity of joint enterprises in Poland with the participation of foreign capital are also regulated separately.² The most important legal act opening the way for Polonia to introduce its own direct investments in Poland is the Council of Ministers Decree dated 14 May 1976, with respect to the granting permits to foreign juridical and physical persons for conducting certain types of economic activities.³ The decree defines the conditions, procedure, and organs authorized to grant permits.

The scope of economic activity defined in the directive is limited to trades and crafts, hotel services, foreign trade, restaurant services, and other services. Juridical persons, Polonia associations and social organizations, and physical persons having headquarters or permanent residence in foreign countries can apply for these rights. The regulations of the decree also apply to physical persons having foreign citizenship, who have obtained Polish Peoples Republic permanent residence papers.

The permits are granted by state administrative organs on the voivodship level on the basis of the headquarters of the enterprise.⁴ Before issuing the permits, the applicants are required to present:

- Cost estimate of the investment undertaking.
- Obligation to cover the entire investment cost in convertible currencies.
- Certification of the PKO S. A. Bank that the applicant has deposited in his investment account the equivalent of 30 percent of the amount anticipated in the cost estimate of the investment undertaking in convertible currencies.

A permit is issued for a period of 10 years, and after expiration of this period, a new permit may be granted. The foreign investor also has the obligation to name a plenipotentiary for handling the matters concerned with obtaining permission, and after obtaining same, for handling the economic activity. Only a Polish citizen permanently residing in Poland, a citizen of a foreign country, who has permanent residence papers for the Polish Peoples' Republic, or the POLIMAR S. A. Foreign Trade Society can be a plenipotentiary. Neither the professional qualifications binding upon Polish craftsmen and merchants nor membership in guilds and unions of private trade and services are required of foreign investors and their plenipotentiaries in Poland. The generally binding regulations limiting employment do not apply here either. The amount of employment is determined case by case and individually by the voivodship office.

The decree of the Ministry of Finance dated 23 May 1977 concerning taxation of foreign physical and juridical persons⁵ is the legal act that regulates the base of taxation through turnover tax, income tax, and tax on the compensations of foreign investors engaged in economic activity in Poland.

It defines the sizes of the turnover and income taxes, and the method of calculating and declaring them. Taking into consideration the fact that the decree of the Ministry of Finance is a legal act of statutory power, and is characterized by a considerable degree of generality, it cannot contain very many specific legal standards. In over-all intent, these regulations do not differ basically from the regulations applied in Poland with respect to the activity of privately-owned economic units. The essential feature that distinguishes the regulations contained in the decree from those binding upon the economic units of the private sector in Poland is a certain range of tax reductions and exemptions. For example:

- a) Hotel services during the first 3-year period from the initiation of activities, and also, crafts and trades, domestic trade, restaurant services, etc. during the first 2 years are exempt from income tax.
- b) Turnover tax from hotel services (except for room-and-board type accommodations and tourist campgrounds) are reduced by from 15 to 8 percent during the first 10 years of activity.

c) Income tax from capital and from property rights, may also be reduced, particularly those from payments for granting rights for utilization of inventions, production methods, trade marks, etc. at the proposal of the Ministry of Foreign Trade and Maritime Economy.

The exemptions and reductions are to become an incentive for engaging in investment activity in Poland.

The principles of opening currency accounts for financing investment activities in the PKO S.A. Bank and the method of using these accounts is defined by the regulation of the Ministry of Finance.⁶

The foreign investor can make currency exchanges from investment currency accounts for:

- The purchase of materials, goods, and property in domestic export.
- The purchase of materials and equipment from imports, which are ordered through the agency of Polish foreign trade enterprises.
- The Coverage of expenditures in convertible currencies on behalf of other authorized Polish enterprises.

Aside from this, funds for the currency investment account can be disposed of without special foreign exchange permission. Authorization for export is confirmed in every case by the bank handling the currency investment account. The funds accumulated in this account draw interest (3 percent) and the percentages are calculated in the currency in which the account is carried.

With respect to the accounts carried in zlotys (operational), the PKO S.A. Bank has the permission to make payments in convertible currencies for the benefit and on the order of the enterprise owners to a level of 50 percent of the net income attained during the tax year from the economic-earnings year, in an amount not exceeding the level of 9 percent of the value of the investment input. This limitation does not apply to enterprises in which at least 50 percent of the turnover from sales of goods or services realized is through the documented export sales for convertible currencies.

The payments can be made in the form of remittance to the interest-earning currency account of the enterprise owner or transfer (i.e., transfer of profits) abroad.

The Polish labor laws, i.e., the regulations of the Labor Code and acts enacted on basis of same, which define the rights and obligations of workers, apply fully to the labor relations in the enterprises run by foreign employers on the territory of the Polish People's Republic.

During the period of hiring workers, the foreign employers have complete freedom assured to them in the selection of workers. The candidates for work are not covered by regulations on labor exchange, with the exception of adolescents, graduates of higher school up to 3 years after graduation and trade school graduates up to 1 year after completion of studies, and persons who have quit work. Local state administrative organs, which carry out labor exchange (employment departments), have been obligated to provide employers help, at their request, to acquire a full complement of workers.

Workers employed in foreign enterprises are subject to social insurance on the overall principles with the proviso that the servicing is covered from the resources of the ZUS [Social Security Agency]. Except for paying contributions for insurance, the employer has no other financial obligations either toward the workers or toward the ZUS. The principles adopted for workers of the privately owned economy shall apply in the area of gaining benefits from other social contributions or their financing.

The economic activity of Polonia in Poland is bound by the same principles of setting and application of prices as are the privately-owned economic units.

In conformity with the decision of the Minister of Foreign Trade and Maritime Economy,¹⁰ the Main Tariffs Office (GUC) was authorized to use customs permits for the benefit of foreign juridical and physical persons, who are authorized to conduct economic activity on the basis of permits (concessions) obtained.

Permits are granted for the importation from abroad of machinery and equipment that will form part of the capital outlay for the investment undertaking, which is being put into operation in Poland. In individual cases, backed up by the interests of the national economy, especially during the start up period of the enterprise, permits can also be granted for the importation of raw materials and other production materials from abroad.

When the duty on machinery and equipment exceeds 100,000 zlotys, and in the case of goods other than machinery and equipment, irrespective of the level of the duties levied--the respective requests of the foreign investors shall be submitted to review by the Inter-Ministerial Commission for Customs, Tariffs in Foreign Trade Commodity Turnover.

The Principles of Activity of Partnerships with the Participation of Polonia Capital

For the purpose of making possible the formation and activity of partnerships with the participation of Polonia capital, among other forms of capital, a special Council of Ministers decree was issued that regulates the principles of their formation, operation, and development.¹¹ Since the time that has passed since the publication of this resolution is

relatively short, there exists, therefore, one is able to becoming acquainted with it through comparing the operations of partnerships with the participation of Western capital in other socialist countries (see table). This comparison shows that certain principles of operation of partnerships in Poland are close to the principles of other socialist countries (for example, the area of legal status, the participation of foreign capital), whereas the others are different.

Among the socialist countries, which have most recently introduced principles for the formation and operation of joint enterprises, Yugoslavia should be mentioned.¹²

From the time of introduction of these principles in Yugoslavia, over 100 partnerships have been operating, with a total involvement of about 2 million dinars (about 100,000 dollars). The comparison of the number of agreements concluded and their total value permits us to state that this form of cooperation cannot play an important role in the totality of foreign economic relations of Yugoslavia. This occurs, not so much from the number of operating enterprises as from the limited amount of capital involved and the limited scope of activity of the partnerships.

The example of Yugoslavia shows how very important the level of economic development of the socialist countries is for the development of this form of cooperation. It is indicated that Western Capital is much more interested in developing cooperation with those Yugoslav republics that are characterized by¹³ higher economic development indicators as compared to other republics, although the Yugoslav authorities are striving to induce capital investments in regions of comparatively low levels of development, in a desire to utilize investment cooperation for balancing out the inter-regional differences in economic levels.

The conclusions derived from this would shatter the validity of all of those declarations that treat this form of investment cooperation as the main panacea for the rapid uplifting of the economic development of a country. Of course, this does not mean that this form of cooperation could not bring about greater results. However, the creation of broader possibilities for the activity of the partnerships, both in the allocation sphere and with respect to institutional norms, is a condition for attaining such results.

In comparison with Yugoslavia, Romania is involved in this form of cooperation on a decidedly smaller scale both quantitatively and qualitatively. Currently, 28 joint ventures are in operation on its territory.

A small quantity of mixed enterprises operate in Hungary. Participants composing the Western parties are the following firms: Volvo (Sweden), Siemens (FRG), and Bowmar Canada Ltd. (Canada).¹⁴

In practically all transactions socialist countries have taken part in, disproportions have shown up between the anticipated and the real results of the partnerships. They occurred especially in the case of Yugoslavia and Romania, where considerable hopes were tied to this form of cooperation. However, it turned out that to provide incentive for capitalist firms for undertaking direct investments on the territory of the CEMA countries, it is not enough to merely issue the appropriate permits. The relatively poor development of investment cooperation in this form has been influenced, among other things, by such factors as: inadequate knowledge on the part of the Western firms of the principles of the functioning of the socialist economy, the disadvantages connected with the use of economic instruments in socialist countries, the relatively slow pace of processes of specialization in CEMA countries, the lack of broader traditions in the development of this form of cooperation, and the high degree of security in the sphere of legal regulations of the socialist countries.

Examples of Investment Cooperation Between Polonia and Poland

A considerable revival of economic contacts between Polonia and Polish enterprises occurred during the 1970's. If the fact is taken under consideration that the intensification of Polonia's ties with Poland has become an important element of Poland's foreign policy, and at the same time, that a change in the economic strategy during the second half of the 1970's restricted the investment possibilities, then the offer of the economic circles of Polonia is advantageous for both sides.

The creation of legal principles for the investment of foreign capital in selected fields of our economy made it possible to set about the practical implementation of the concept of Polonia investments in Poland.

Currently, 14 Polonia enterprises are operating in Poland, and their over-all turnover at the end of 1978 amounted to 176.1 million negotiable zlotys. Of this number, 88.8 million zlotys are earmarked for market supplies, 5.4 million zlotys, for services, and 32 million zlotys, for market related measures (mainly import reduction). It is worth adding that the turnover in 1977 amounted to 18.5 million zloty. This was a sevenfold increase. ¹⁵ These firms employ, on the whole, 278 workers, including 130 women.

This shows that in spite of various impediments, the Polonia enterprises are developing very dynamically, even though their potential is very modest.

From the standpoint of the criterion of what the investment involvement is, it is possible to divide Polonia investment enterprises in Poland into three basic groups:

- Enterprises already in operation.
- Enterprises covered by agreements or initial contracts.
- Proposals and offers of the Polish and Polonia parties.

PRINCIPLES OF ACTIVITY OF WESTERN CAPITAL IN CAPITALIST (616) COUNTRIES

Country	Sphere of activity	Legal Status	foreign participation	Clearing currency	taxation of funds
Romania	agriculture, construction, industry , trade , RD , services, tourism industry	Juridical person	up to 49% invested capital	currency by agreement	lack of regulations
Yugoslavia	all, with the exception of banks, insurance institutions, trade, domestic communications and public services	does not possess legal status	to 49%	dinar	the part earmarked for foreign investment is exempted from property tax
Hungary	RD, trade, services	Juridical person	to 49%	forint, in part	exempt from property tax
Poland	State regional industry and cooperatives	Juridical person	to 49%	zloty, in part	tax on property, the same as Polish enterprises

SOURCE: Developed on the basis of M. Sukijanovic: JOINT BUSINESS VENTURES IN YUGOSLAVIA BETWEEN DOMESTIC AND FOREIGN FIRMS, Belgrade, 1973, pp 129-130. In the Socialist Republic of Romania, a decree on the organization and functioning of partnerships with the participation of foreign capital was approved by Parliament in March 1973.

Taxation of profits	Possibility of transferring profits abroad	Connection with central planning	Management	Dissolution
20% of profits of participants; additional 10% tax on overseas transfers	total profit can be transferred abroad	plan of the partnership is linked with central plan	general council or board of directors	not anticipated for 15 years; the PRA has priority purchase rights
20% of the profit of the foreign partner	profit can be exported if the Yugoslav enterprise has foreign currency reserves	only the domestic participant proposes the plan	general council or board of directors	if the expected results are not provided after 2 years; the PRA has priority purchase rights.
the statutory part of the profit on the risk fund; the remainder is taxed at the rate of 40%, if the net profit consists of 20% foreign capital; when foreign capital is higher than 20%, the tax amounts to 50%	the entire profit may be transferred abroad	not subject to the central plan	as in domestic enterprises	Dissolution by the Minister of Finance if it does not provide the expected results, or is unprofitable; otherwise, through mutual notice; priority purchase rights held by Hungarian Peoples Republic
profits are taxed; Minister of Finance may exempt profits from tax during the first 3 years	profits shared proportionally for allocation to partnership possessions may be transferred abroad	covered by the plan in a special way, i.e., outside the structure of ministries and associations	a management which is headed by a citizen of the Polish Peoples Republic	Operating period to 15 years; the foreign investor may export his share in foreign exchange, and the part of the property that is his.

See: BULETIN OFFICIEL DE LA REPUBLIQUE SOCIALISTE DE ROUMANIE of 2 November 1972;
 J. Szasz: THE LEGAL FRAMEWORK OF COOPERATION CONTRACTS. Budapest, 1973; MONITOR POLSKI,
 1976, No. 4, with respect to the formation and operation of enterprises in Poland with
 the participation of Western capital.

Stanislaw Szewczyk of Canada was the first Polonia businessman to obtain a permit to conduct economic activity in Poland. Businessman Szewczyk operates in Czestochowa (production) and Krakow (store) in the sector of ready-made sportswear and clothing (the production of high-demand jeans wear and sport jackets). In spite of the difficulties that a businessman has in conducting his enterprise, he plans to develop further. For this purpose, he is making efforts to get a permit for building a modern high-production factory in Krakow, with a high rate of employment, which will permit him to increase his current production considerably.

A Polonia enterprise from Austria (Markowski's) is also in operation in Krakow. It manufactures zippers in considerable variety and wide range of application (for example, in the ready-made clothing industry, the knitwear industry, the production of sports and tourist accessories, etc.), destined for the domestic market and for export.

The Polonia firm WA-JA--of Walter Jakubowski of the FRG--has developed a different type of activity. At the beginning of 1978, W. Jakubowski, with the POLIMAR S.A. Foreign Trade Society as an intermediary, opened a branch of his enterprise in Warsaw. The firm is engaged in the assembly of bicycles out of parts coming from the best bicycle firms in the world. One of the purposes of putting an assembly shop into operation in Poland was the fact that by cooperating with many firms, W. Jakubowski has at his disposal in Poland the producer of the popular and record-achieving bicycle--the ROMET Works in Bydgoszcz. Another of the reasons is the existence of a considerable sales market in Poland for the machines produced by him. In addition, this businessman is making efforts to expand his activity in Poland, among other ways, through the creation of the WA-JA-International firm, which would produce, not only bicycles, but also other products connected with the conduct of cycling sports.

Another example of investment cooperation with Polonia is the Polonia Enterprise DEKOR, which specializes in the production of display and decoration articles (self-stick labels, name plates, calendars, etc.). The owner of the firm is Anna Falkner of Vienna. The owner intends to build up her factory to the size of a rather large enterprise employing several hundreds of people and to expand the variety of products. However, she is encountering quite some difficulties and legal and government resistance connected with obtaining a permit for the purchase or lease of sites (unused land) in Siedlce Voivodship.

The latest example of operating investment enterprises is the Polonia Enterprise KONSUPROD (owner--Lothar Grabowski of the FRG). On the basis of the permission obtained, this enterprise put into operation a highly-productive carwash in Warsaw. Aside from the Jakubowski bicycle assembly shop, this is the first Polonia investment in the capital city.

The enterprises that are in the process of implementation and those which are the subject of negotiations are more attractive than the enterprises

in operation. It is worthwhile to give some information about them. Currently, implementation is under way of:

--A large recreation and tennis center (open and closed courts) on Kępa Czerniakowska in Warsaw for about 3 million dollars.

--A plant for the production of prefabricated elements for building single-family homes, and decorative sidewalk and parking slabs. The Small-Displacement Automobile Factory (Fabryka Samochodow Malolitrazowych) has an interest in this investment.

The investor of these enterprises is the KONSUPROD firm, which, in addition, is planning the construction of a tennis racket and tennis ball factory on a Dunlop license, and jointly with other Polonia enterprises, the construction of a hotel and sanitorium near Krakow with the use of the curative facilities in the saline baths at Wieliczka.

The most significant investment offer thus far, of several millions of dollars in value and at a high stage of advancement is being implemented by the American businessman of Polish descent--Mitchell Kobelinski (KORE--International Trade and Investment Co.) of New York. He is preparing for the implementation in Poland of many hotel and production installations. Among these are the following:

--Local hotels in Katowice and Czestochowa (600-rooms, cost--34 million dollars apiece) and in Bielsko (430 rooms).

--Resort hotels with complete subsidiaries in Zakopane, Bukowina, and Pivniczna (100 rooms apiece) and in Szczyrek (300 rooms).

--Hotels in Warsaw and its environs (Bielany, Wilanow, Swidry), and in Czestochowa.

--One-family home settlements in Czestochowa.

--A modern medical dressings factory, the production of which will be based on the equipment and technology of the world-famous White Cross firm.

--A factory for various silver products.

--A factory for highly-effective feed additives, which will give excellent results in cattle and swine raising.

--A large tourist hotel (initial name--Patria) located in the center of Warsaw on the corner of Marszalkowska and Krolewska streets, intended mainly for Polonia tourists and businessmen.

M. Kobelinski intends to finance this latter enterprise with the support of a broad participation of small capital from other Polonia representatives.

It is also worth turning our attention to a certain technical aspect of the intentions of this businessman. He intends to use a new building material called sanvol. This material is lighter than concrete, and is composed of 90 percent sand, 5 percent fiberglass, and 5 percent binder. If the Polish laboratory tests and research confirm the properties of sanvol, which has not been used in construction so far, Poland may become the precursor of progress in construction technology.

Other examples of investment enterprises of this group are:

--The construction of five large highly-mechanized mushroom-growing cellars (cost of 10 million dollars) carried out into partnership with the PGR (State Farms) (investor--Jozef Zyto of France).

--The construction of a group of hotels in Pultusk, which, according to the plans, is to become a Polonia center in the future (investor--Jozef Zyto).

--The construction of a motel in Ilawa (cost of about 5-6 million dollars), investor--Jean Zarzecki of France.

--The construction of a tourist recreational complex in Swinoujscie, designated for Scandinavians (Edmond Antkowiak of Denmark).

--Construction of an Exhibition Center in Warsaw for Polish and foreign clientele (Tadeusz Kutek of Great Britain).

--The construction of two hotels in Gdynia and Sopot (Adam Smigielski of Great Britain).

In addition, negotiations connected with the formation of several coming Polonia enterprises are in their final stage. Among these are enterprises for manufacturing perfume and aromatic compounds, youth and childrens clothing, vehicle parts, for printing and publishing services, photographic services, and for artistic reproductions.

A special group is composed of the enterprises which are defined as potentially possible to take on under conditions advantageous for both parties. An example of a Polish offer of this type can be the proposals which were announced by Poznan authorities to Polonia firms during the course of the conference in Poznan devoted to Polonia investments in Poland, for example: The opening of construction and repair plants for servicing the construction of single-family homes, and special machinery bases having the possibility of leasing cranes, excavators, and bulldozers, etc. In addition, offers were announced for the start-up of enterprises operating for the benefit of satisfying the local market for confectionary products, beverages, preserves, toys, children's clothing, glassware, crystal ware, porcelain and porcelite products, metalware, cosmetic products, and plastic products.

During this same conference, foreign citizens of Polish descent also came out with proposals, such as professor Golanski of the United States, who proposed the construction of a clinic specializing in the installation of substitute elements of the circulatory system, including veins and heart valves. Henryk Saulcayk, also of the United States, expressed the desire to import land improvement machinery that installs 3 kilometers of drainage pipe per hour. Proposals were also noted for the putting into operation of a phonograph record factory and a plant for the production of fodder on a base of protein-enriched straw.

The catalog of proposals for economic and trade cooperation worked out by INTER-POLCOM¹⁶ contains still another group of offers. The proposals contained therein derive directly from Polish production plants and industrial associations, and from the foreign trade agencies and other organizations that participate in economic cooperation between Poland and foreign countries. These proposals--the implementation of which can begin immediately with the participation of sector foreign trade agencies--have the nature of an offer of mutually advantageous cooperation. The range of the offer extends from the main form, such as industrial cooperation and coproduction, technical cooperation, and joint ventures in Poland and foreign countries, to trade exchange, which in effect, covers the totality of economic cooperation that is different from the standpoint of form and content. In synthesized form, the several hundreds of proposals presented to the Polonia partners anticipate:

--The development of industrial export cooperation in cooperation with Polonia firms, which have a good knowledge of the cooperative ties of their adopted country, which gives them considerable preferential possibilities.

Joint participation of the Polonia partners in the processes of raising the qualitative level and multiplying the output of the export products of Polish industrial plants, including the elimination of production and export limitations that result from the lack of individual machines and subassemblies and attractive packing, of certain raw materials, new models, etc.

--An increase in trade exchange through the expansion of the variety of goods.

--Amplifying the joint export offer with new goods from import through putting them into production in Poland, especially with the use of low-cost production waste or readily-available raw materials, that are not used in great quantity by Polish industry.

Connected with this last statement is the consideration of a field that is very attractive for many firms, how can the various types of waste materials be used. Through the efforts of INTER-POLCOM, a list of waste raw materials was compiled, which can be a valuable guide for Polonia firms in making investment decisions. The list contains such points as: salvaging

tin cans for obtaining secondary tin, used up radio and television receivers for extracting secondary metals, ashes and clinkers of power stations, waste phosphogypsum, marble scraps, the utilization of plastic scraps, waste thermoplast fibers, tree bark, wood scraps for the production of furfural (a valuable intermediate product in the plastics and paints industry), and also shops for retreading passenger automobile tires.

* * *

In spite of the mutual interest in investment cooperation matters, which is attested to by the considerable participation and activity of representatives of Polonia in organized meetings, and the preparation of legal bases on the part of Poland, the matter of placement of Polonia capital in Poland continues to be a complicated problem. According to an analysis of the legal acts that have been published, the statements of Polonia investors concerning experiences with activities already conducted, the comments of Polish specialists, the INTER-POLCOM representatives, and the plenipotentiaries of Polonia-foreign enterprises, it can be confirmed that the difficulties in the functioning of existing enterprises--which have an influence on the limitation of much more active involvement of capital in undertakings in Poland--result from two basic reasons: the deficiency of legal regulations and inappropriate administrative practices.

The source of the latter most often is just plain ignorance, lack of awareness, and lack of familiarity with the principles and regulations governing this new form of activity. The reluctance to make decisions in "uncertain" matters leads to a situation where frequently, the foreign businessman-investor is sent to various state administrative elements.

Also, ordinary resistance to unfavorable competition plays a significant role sometimes. It was possible to observe this in the attitude of certain ORBIS officials, which until recently decided what kind of hotel investment initiative was wanted in this field. These officials, operating from the position of monopolists in the field of hotel services for foreigners, were not willing to see the potential competition, which could function better. It was not until the decision-making on Polonia construction of hotel and tourist facilities was transferred to the hands of the voivodship governors that the matter could be pursued onward.

In the area of deficiency of legal regulations, it must be affirmed immediately that is not way to anticipate the many possible legislative problems in this relatively new field of activity. However, several of them that have a substantive influence on the activities of Polonia businessmen who are already in operation, and also on the motivation of the undertaking of new investment enterprises require adjustment. This concerns such questions as: level of transfer of profits, the effective term of permits for the conduct of economic activity, the possibility of exporting the products turned out, the more precise definition of the concept of investment capital, the lease or purchase of sites for the investment, and the legal status of Polonia enterprises.

As far as legal status is concerned, this, the main problem in the opinion of the Polonia businessmen, boils down to the question of whether the Polonia enterprise is a Polish enterprise in the meaning of Polish law, or a branch of a foreign enterprise subject also to the legislation of the state in which its main office is located. The lack of a precise settlement of this question leads to a situation where the Polonia enterprises are treated by administrations and other institutes as foreign enterprises based on foreign exchange, or domestic exchange, or merely as domestic enterprises.

It is also an improper situation where a Polonia enterprise employing many workers and turning out production in the amount of several millions of zlotys are subject to a significant degree to the same regulations as are the units of the private economy.

Another matter brought up is the level of permissible transfer of profits to foreign countries. In the spirit of the binding regulations, it amounts to an annual 9 percent of the invested capital. This means, that the capital cycle period amounts to 11 years, whereas a license for conducting an activity is granted for 10 years.

A regular problem that needs to be settled is that of the supply problems, which are connected as a rule with the import absorptiveness of production. The assumption of the production of attractive products on the whole necessitates the import of certain raw materials and other materials, mainly in convertible currency. Their acquisition in foreign countries is impeded considerably by the lack of regulations that allow the export of products necessary for obtaining import exchange. However, in a situation where the import of goods on the markets of the developed capitalist countries is drastically limited, the granting of rights of export to Polonia firms would restrict the export possibilities of Polish enterprises. Undoubtedly, a suitable settlement of this question will be difficult.

As a desirable current activity, there is the extension of the licensing period for conducting the activity of enterprises using foreign capital and requiring the authorized foreign trade agencies to give special treatment to the exports of products of Polonia firms, with the possibility of using a part of the foreign exchange revenues for the import of raw materials and materials, or to set up a specialized enterprise for this purpose.*

FOOTNOTES

1. A. Lawrowski: POLACY W DZIEJACH STANOW ZJEDNOCZONYCH [Poles in United States History], Warsaw, 1977, p 108.
2. It must be noted that both types of rights for direct investment in Poland officially apply to all foreigners, but were mainly issued with our fellow countrymen abroad in mind.

3. DZ. U [OFFICIAL GAZETTE] No 19 1976, item 123, & DZ.U. 1978 No 31, item 135.
 4. The permits are granted to juridical persons and associations and organizations intending to export their production upon assessment by the Ministry of Foreign Trade and Maritime Economy, whereas, in seeking permits to conduct services and production activity, this is done by the Ministry of Domestic Trade and Services (DZU., 1978, No. 3).
 5. DZ. U., 1977, No. 18, item 71.
 6. MONITOR POLSKI 1979 No 10, item 67.
 7. The net income attained in the tax year is the income less this tax.
 8. The guidelines of the Minister of Labor, Wages, and Social Affairs dated 14 July 1976 with respect to the employment of Polish workers by foreign juridical and physical persons.
 9. These regulations have been issued on the basis of a number of legal acts, such as: decrees (eg., dated 3 June 1953), resolutions (eg. of the Council of Ministers, No 271, dated 25 November 1974), and directives (eg., of the Chairman of the State Price Commission dated 30 December, 1974).
 10. Decision No. 4 of the Minister of Foreign Trade and Maritime Economy dated 2 February 1978, with respect to the utilization of customs permits for foreign juridical and physical persons authorized to conduct certain types of economic activity in Poland.
 11. MONITOR POLSKI, 1979, No. 4, item 36, and the annex to resolution No. 24. This resolution also concerns other capital aside from Polonia capital.
 12. During the prewar period, certain elements of this cooperation occurred between the Soviet Union and the developed capitalist countries.
 13. See FOREIGN INVESTMENT IN YUGOSLAVIA, OECD, 1978, Annex 1.
 14. See: EAST-WEST FORTNIGHTLY BULLETIN, 1976, No. 145.
 15. On the basis of information obtained in INTER-POLCOM.
 16. The Catalog of Proposals for the Industrial and Trade Cooperation between Poland and Polonia INTER-POLCOM Trade and Industry Chamber, Warsaw, June 1978.
- * The article was written on the basis of materials of the ministry problem of the Ministry of Science, Higher Education, and Technology on the subject of EAST-WEST ECONOMIC COOPERATION, with the participation of Jerzy Tartanus.

BRIEFS

GERMAN-POLISH COAL GASIFICATION PROJECT--The Krupp-Koppers firm is constructing coal gasification plants at an investment cost of 250 million marks in Poland. A total of 950 million cubic meters of fuel gas is to be produced annually from hard coal at the "Janina" coal mine in Libiaz near Katowice. Delivery of the equipment will begin in 1982. Gas production is expected to start in 1984; the gas is to be used by the nearby industrial plants. The Kopex foreign trade center in Katowice gave the firm in Essen the order for the construction of the coal gasification plant. The plant will convert the "Janina" mine coal which has a maximum ash content of 30 percent by weight and a maximum sulfur content of 3 percent by weight. The Koppers-Totzek systems will produce fuel gas having an average calorific value of 11,600 kilo-joules per cubic meter from this coal which has only a limited application for other purposes. On the Polish side, the Separator Design Office in Katowice is coordinating the deliveries and construction work, and Polish enterprises will also assemble the equipment. [Excerpt] [Warsaw PRZEGLAD TECHNICZNY INNOWACJE in Polish No 14, 6 Apr 80 p 23]

CSO: 2600

SAVINGS ACCOUNT DEPOSITS TWICE 1970 FIGURE

Tirana ZERI I POPULLIT in Albanian 25 Apr 80 p 3

[Article by Fadil Kepi, director of the Institute of Savings Banks and Insurance: "An Indicator of the Increase and Proper Utilization of Incomes"]

[Excerpts] The savings banks, as important organs of the financial system, are used by the working masses for depositing their savings. Savings deposits have increased in number and amount along with the rapid increase in the circulation of goods. In 1979 there were more than a million savings accounts in Albania. The amount of money deposited was twice as much as in 1970 and 5.6 times as much as in 1960. Most of the depositors are workers or from the cooperative peasantry.

The money deposited pays an interest of 2-3 percent. The savings bank network has expanded. At present, there are about 110 savings banks and many offices in the various sectors of work centers and agricultural cooperatives which handle savings bank deposits. Conditions have been created for protecting and guaranteeing the savings of depositors. Savings deposits in Albania are insured by law by the state. The savings banks protect by law the secrecy of the deposit. Every person with a deposit in a savings bank has the right to withdraw his money from any savings bank in the Republic. The savings banks have checks which they issue to depositors enabling them to buy expensive goods in all the shops in the districts.

The goal is to improve the ideological, political, technical and professional level of the workers of the savings banks and agencies and to increase cooperation with other organs of the financial system such as the State Bank and the agricultural bank and with the mass organizations. Berat, Durrës, and Tirana districts have had good experience in this area. There are opportunities for the further improvement of our work so that depositors will be served more quickly, better and in a polite manner.

CSO: 2100

SUBJECTIVE FACTORS CITED AS CAUSE OF ECONOMIC SHORTFALLS

Tirana RRUGA E PARTISE in Albanian Feb 80 pp 6-13

[Editorial: "For the Further Improvement of the Scientific Organization and Management of the Work of the Party and Its Levers"]

[Excerpts] The 7th plenum of the Central Committee of the Albanian Workers Party, which was held on 14 and 15 January 1980, was devoted to the problems of the further improvement of the scientific organization and management of the work of the party and its levers, with special emphasis on the economy. The plenum examined in detail some instances of failure to fulfill the plan and concluded that, in general, they occurred because of subjective reasons. Also, it pointed out that defects of an objective nature have their source in those of a subjective nature. If the latter are combatted, then the former are reduced and disappear.

Naturally, we should not underestimate the damage which was caused to the fulfillment of the plan in some sectors by the cutoff of credits on the part of the Chinese revisionists, the abandonment by them of many projects which, according to the plan, were scheduled to be completed and the fact that projects which they completed were not put into operation on schedule. But, with the measures taken by the party and with the self-sacrificing work of our workers many problems were tackled and resolved.

But, more attention must be given to the fact that economic plans have not been fulfilled at the expected level in some sectors where there have been no objective reasons for the shortfalls, such as, the livestock and fruit growing sectors in agriculture and in some sectors of heavy industry, the construction industry, light industry, the food industry and others. In agriculture, for example, atmospheric conditions, as objective factors, certainly have affected and will affect, to a certain extent, the quantity and quality of agricultural products but these factors should never be allowed to take priority, especially when they are used as an "argument" to conceal and justify serious shortfalls, mistakes and deficiencies in the implementation of agricultural regulations and technology and to justify lack of discipline in work, accentuated shortcomings in management, etc.

From an analysis of the facts the plenum reached the conclusion that the cause of the failure to achieve some economic indicators in agriculture and in other sectors and branches of industry and construction, are not and cannot be objective factors. They are subjective factors which depend on the activity of individuals and on the level of management and organization in all links of work.

BRIEFS

FIRST 12.5 KW ELECTROMOTOR--The collective of the Shkoder wire factory has produced a continuous current 12.5 kw electromotor, the first of its kind in Albania. In light of the need for electric dredges in our mines, it was decided to produce a complex type of electromotor, with large dimensions. In order to set up the electromotor of the electric dredge and to complete it with equipment produced in the factory, it was necessary to produce, for the first time, 5 types of new accessories and much equipment. The tests on the first 12.5 kw electromotor for mine electric dredges have been successful and measures are being taken for the series production of the electromotor. [Excerpts] [Tirana ZERI I POPULLIT in Albanian 3 Apr 80 p 1]

CSO: 2100

COMPREHENSIVE MODERNIZATION IN ENGINEERING INDUSTRY ORDERED

Prague HOSPODARSKE NOVINY in Czech 21 Mar 80 p 6

[Article by Václav Svoboda, State Prize laureat, and Engr. Ladislav Stastný, candidate for doctor of science, Research Institute for Machine Tool Technology and Economics, Prague: "Modern Technology, Modern Machines; Rebuilding the Production Base of the Machine Tool Industry")]

[Text] As a followup to the Third CPCZ Central Committee Session of September 1976, resolution number 263/1976 of the Presidium of the CSSR government decreed the preparation and preliminary implementation of a comprehensive long range program for the rebuilding and modernization of the production base of the machine tool industry on the basis of the comprehensive mechanization, automation, and integrated management of automated production processes. On the basis of research findings from the previous five year plan our Research Institute for Machine Tool Technology and Economics was invited to participate in the formulation of these measures as a member of a team of experts from the Federal Ministries of Machine Building, Metallurgy and Heavy Machine Building, Technical and Investment Development, Foreign Trade and from the State Planning Commission.

The basic prerequisite for increased machine tool industry efficiency within the national economy is the assurance of structural changes in machine tool output directed at a general increase in the percentage of technically sophisticated products, those in other words which may be exported successfully and also have domestic applications. The formulation of the first stage of a long range rebuilding and modernization program for the production base is an important step in this direction.

The use of the results of research on critical technological objectives in the machine tool industry, and of known regularities in the longer term constant factors in the structure of produced components, as opposed to a higher variability in the area of final products, enables the quantification, even in a situation of instability in the concrete output structure, of the actual extent of application of given aspects of technical development in

the area of technology and production techniques. This must be extended, however, to the formulation of conditions for the efficient application of technology, which must be created as a basis for broad introduction of technical improvements. Research results have shown that the key to the implementation of this program rests, above all, in the assurance of supplies of machine tool production technology, in the necessary volume and variety of machinery and apparatus with high production efficiency. These supplies must facilitate the broad application of all industrially utilizable technological concepts and production techniques known both here and abroad, as an essential prerequisite for the fulfillment of demanding objectives, given the expected minimal increase in the work force. The procurement of the necessary machines and apparatus from domestic and import sources therefore becomes the fundamental, and decisive, condition for the fulfillment of machine tool industry objectives.

The results of the first stage of the proposal for a long range program for the rebuilding and modernization of the machine tool industry production base were approved and incorporated into government resolution number 176/1977, which decreed the working out of a binding second stage, including the provision that most attention be concentrated on focusing the program on specific rebuilding and modernization operations during the Seventh and Eighth Five Year Plans, on further program clarification, and on the resolution of continuing problems in the areas of investment and the material fulfillment of deliveries of machine tool technology. Along with additional objectives, the resolution also provided for the gradual construction of a system of technological design facilities to prepare comprehensive innovations in machine tool production techniques and to perform a consulting function in the area of rationalization.

Technological Modernization Comes First

Operations during the second stage have further clarified the types of machines required and the demands on their technical quality. The urgency of the measures proposed during the first stage has been confirmed.

The key to the work of the second stage has rested, however, on the formulation and testing of a set of specific operations related to the rebuilding and modernization of the production base. In particular, the program has the following objectives:

- 1) In casting: the wider utilization of the removable flask molding method with mechanized replacement of the patterning equipment (DISOMATIC, FORMATIC); flask molding with an automatic molding junction, and casting in molds made of self-hardening compounds;
- 2) In forming: the wider utilization of hydromechanical drawing methods, of precision trimming, of multioperational volumetric forming, of cross tapered rolling and automated line forging by means of specialization, the gathering of components needed for production and junctions:

- 3) In welding: The production and supplying of an innovative line of standard resistance welding machines, automatic and semi-automatic arc welders, systems of movable and table mounted positioners, sources of current and the apparatus for electron beam welding, and the application of flexible production systems for the welding of machinery components;
- 4) In slab processing: A systematic increase in mechanization and the automation of the die-casting process, the concentration and specialization of parts production;
- 5) In conventional machining: The possibility for utilizing numerically controlled machines controlled by CNC systems based on microprocessors made of advanced cutting materials and the application of improved grinding and abrasive machining at high speeds;
- 6) In unconventional machining: The broader utilization of electrical machining methods based on the production and supplying of advanced machines and apparatus which has already been developed, especially those which are digitally controlled;
- 7) In internal assemblies: The production and repeated application of assembly lines for products with a width of 100, 250 and 400 millimeters, and of special, single purpose assembly machines;
- 8) In heat treatment: Utilizing the methods of nitriding, carburizing, intensified nitriding (through added ammonia), the isothermal annealing of carburized steels, and the production and application of innovative systems of apparatus for induction heating;
- 9) In surface finishing: The continual finishing of billets in metallurgical plants, the introduction of advanced plasma spraying of coatings and coating substances thinned with trichloromethylene because of the lower energy and materials intensity of this process and to assist in improving the environment;
- 10) In implements: The consistent concentration and specialization of the production of workpiece clamps and specialized tools for adjustments and maintenance, of developed implement systems for volumetric and surface forming (SUBTAN and RULIN) and for slab processing;
- 11) In technical inspection: The production of pulse counters and digital displays at the Kolin TESLA municipal enterprise, the production under license or the cooperative importation of miniature, battery powered electromechanical converters with digital displays for the modernization of communal meters (Johansson of Sweden);
- 12) In handling and automation: The production of the developed automated industrial handlers (M4, PR4, PR16, M63, PR32), of automated, numerically controlled packing machines, of innovative apparatus for interoperational handling, and of management systems (NS 90, NS 910, RS 3).

What Enterprises Have Proposed

In the first stage the bulk of the determination of necessary material bases and proposals rested with our institute. During the second stage the enterprise sphere was fully incorporated into the decision making process, and all agencies of the middle management element began to participate in the work. Relevant leading workplaces in scientific-technical development, organizations of the machine tool research and development base, all centrally managed design organizations and critical design organizations of the economic production unit have all been incorporated, as a matter of course, during this work.

We have screened a set of more than 1800 specific modernization and rebuilding programs for the Seventh and Eighth Five Year Plan in both machine tool sectors from the initial proposals of economic production units and research institutes, with systematic and direct management on the part of the sectors. Although the attitude of middle management agencies may generally be characterized as responsible, there are differences in the depth of preparation reflected by the proposals of individual economic production units. Out of the total number of about 1800 proposals, 499 have been completely rejected for not corresponding to the concept of the program and its established criteria. Criteria considered in the screening were the growth of production objectives in critical sectors, the growth of labor productivity, work force conservation, growth in machine utilization time, lowering average energy and metals consumption by applying advanced technology, the investment costs for each worker position saved, and other economic considerations related to an evaluation of the matching of requirements to resources.

Of the total number of approved proposals, which will be the subjects of specific formulation and clarification, 95 percent assure an increase in the output of 60 critical sectors which determine prospective requirements, above all, in the areas of energy related machine tools, of the machines and apparatus of final machine tool production, and of the rigorous objectives of machine tool export.

It follows from this screening that the projects proposed by the enterprises have not as yet assured the requisite degree of development in sectors of overall machine tool industry significance, i.e. systems sectors, sectors related to production technique, specialized implements, handling techniques, and others.

Few projects are aimed at the preparatory phases of production, at assuring growing production needs and the quality of billets, the precision of castings, forgings and stampings. In these areas, above all, there ought to be an increase in the percentage of projects of a suprasectoral, machine tool industry wide character, and which utilize the advantages of centralized production and technical specialization.

The screening has also indicated that in spite of the priority which must be placed on the preferential resolution of the technical development of the production basis of industrial agglomerations, the set of proposed projects did not respond to this directive.

It is possible to look positively on the fact that about 70 percent of the projects deal with comprehensive production sectors and assume a rationalization of production processes through the utilization of modern management methods.

In accordance with the objective set forth during the discussion of the results of the second stage of the Presidium of the CSSR government in January 1979, attention has been focused during the third stage, which began in 1979, on the further elaboration and clarification of projects for the Seventh Five Year Plan in particular. The result of these efforts was a proposal of a set of 390 projects, which on the one hand reflects the objective requirements of the scientific-technical development of the production process and production base of the Czechoslovak machine tool industry, but which, on the other hand, is in accordance with the realistic potentials of both machine tool sectors, especially in regard to the matter of assuring the implementation of the projects by investment resources allotted of these sectors during the period of proposal formulation.

The set of measures chosen for the Seventh Five Year Plan are of an intensifying character. This is documented, for instance, by the fact that construction investment amounts to almost 13 percent of the total investment planned by the projects, that the cost recovery period of the investments averages 2.3 years, that one crown (Kcs 1) of investment will bring a Kcs 1.60 increase in production and that an average of only Kcs 20,000 will have to be invested per conserved worker position. The projected relative yearly savings of 75,000 workers, Kcs 6.3 billion in costs, almost 200,000 tons of ferrous metals, 320 Gigawatt hours of electrical energy and almost 600,000 tons of standard fuel serve to document the high effectiveness of the proposed projects.

The high effectiveness and expected high technical level of the projects is related to the reality that more than half of them stem directly from already completed or soon to be completed tasks of the scientific and technical development plan. Efficiency is further assured by the fact that more than half of the projects are connected with the introduction of production of highly innovative product lines; 34 of the projects deal with the production of totally new generations of products.

The following projects may be cited as particularly good examples:

- 1) The modernization and redesigning of the production of PN 32 Megapascal radial hydraulic motors at the Brno ZTS represents a production innovation of the fifth degree, and the implementation of already resolved tasks of scientific and technical development within the context of international cooperation. The implementation of this project with investment outlays of Kcs 51 million (Kcs 5 million for construction) will increase performance by 153 percent with a relative saving of Kcs 26 million of in-house outlays and of 279 workers, with a recoverability period of only 1.9 years.

2) The rationalization and modernization of the production of moldings from thermosetting plastics at the Strojsmalt economic production unit (The Nove Zanky Elektrosvit national enterprise) is directed primarily at work force conservation. In this case, a 42 percent increase in output and a relative saving of Kcs 12.6 million of in-house costs will accompany an absolute saving of 115 positions (a relative saving of 283 positions), a recovery period of 2.5 years and Kcs 32 million of investment outlays.

3) The mechanization of the casting of pistons for supercharged motors at the Traice Metaz economic production unit, Czechoslovak Automobile Works national enterprise represents a highly advanced project implementing a fifth degree production innovation. Here, Kcs 12 million of investment outlays will increase performance by 780 percent, and require only 8 workers (a relative saving of 53 positions). There is a 714 percent increase in labor productivity.

4) The introduction of the production of PGS milling machines at the Plants for Engineering Machinery economic production unit, and specifically at the Kourim Machine Tool Factories, is a fifth degree production innovation and the implementation of an enterprise scientific and technical development objectives. In this case investment outlays of Kcs 10 million will increase performance by 70 percent while conserving, in relative terms, 99 positions and providing a cost recovery period of 2.7 years.

5) The introduction of the PVS 800 flexible production system in the manufacturing of NOPAS looms and A hydraulic looms at Elitex in Tyniste nad Orlici is a fifth degree innovation and represents the implementation of a sectoral scientific and technical development objective as well as international cooperation. With investment outlays of Kcs 51 million, performance will increase by 380 percent, in house costs will be reduced by Kcs 9.4 million, and 99 positions will be conserved. Labor productivity will increase 380 percent.

To Implement Conceptions in Plans

From the viewpoint of the urgent need to solve contemporary problems, those projects are especially valuable which are well prepared, have a short implementation span, and are capable of producing economic results in a short period of time. At present more than 120 such projects have been prepared. The existing network of technical design facilities will be utilized to speed up and improve the quality of preparation of additional projects.

A highly positive feature of this procedure, in comparison with the current, essentially separated, preparation of technical development plans, designs, and capital investment, is that the approved conception will create the requirements for the direct integration of all elements in the cycle of research-development-production-design-repetitive implementation, and their incorporation within the framework of relevant plan components.

Our institute contributes to the implementing and supplementing of these progressive trends through a methodological and conceptual influence on these projects, through the determination of the material requirements and concrete proposals of measures to define the long range program for the rebuilding and modernization of the machine tool industry production base, and for the guaranteeing of the necessary transitional procedures from the current situation to the projected condition. Close cooperation with the experts of both machine tool industry sectors, the Federal Ministry of Technical and Investment Development and the State Planning Commission speeds up the implementation of existing research findings.

9276

CSC: 2400

PROPER TIMING OF AGRICULTURAL WORK EMPHASIZED

East Berlin BAUERN-ECHO in German 12-13 Apr 80 p 7

[Interview by Uwe Creutzmann, BAUERN-ECHO editorial board, with Prof Dr Dieter Ebert, program director, Institute for Grain Research, Bernburg-Hadmersleben; Prof Dr Anton Kunze, program director, Research Center for Soil Fertility, Muenchenberg; Dr Lothar Bachmann, department chief, Institute for Beet Research, Klein Wanzleben; Dr Detloff Koeppen, deputy chief, Moesslitz Experimental Station, Institute for Potato Research, Gross Luesewitz; Helmut Hempel, chairman, Winnigen LPG, Aschersleben Kreis; Hans-Georg Lenze, forestry director; Hans Schmid, economist: "At the Proper Time and With the Best Quality; BAUERN-ECHO Roundtable Discussion on Agrotechnical Deadlines"]

[Text] An important characteristic of plant production is the importance of proper timing of agrotechnical measures. To take advantage of the genetic capabilities of our agricultural crops to obtain stable yields, without incurring high additional expenses, we must ensure that all production processes take place within the period of time best suited, agrotechnically speaking, to the location and to the plant variety. Important aspects of this method--which many plant production enterprises still have difficulty in mastering, for objective as well as subjective reasons--were discussed at a roundtable at the Winnigen Agricultural Producer Cooperative (Plant Production) where we met with agronomists and crop farmers.

[BAUERN-ECHO] At the 11th Session of the Central Committee of the SED, co-operative farmers and workers were given the task of increasing production and simultaneously obtaining a more favorable ratio of expenditures to results. In this connection, what is the importance of the proper timing of agrotechnical work?

[Prof Ebert] The best plant production enterprises have shown that the most stable yields are achieved when natural and economic production conditions are fully taken advantage of. One of these conditions is compliance

with agrotechnical deadlines. It represents a potential additional yield which can actually be made accessible without any additional expenditures. Erich Honecker has made this point clear at the 11th Session of the Central Committee of the SED. However, one should be careful not to give too much importance to certain deadlines at the expense of others. In a plant production enterprise, it is of decisive importance to choose the most favorable time for cultivation as part of the complex production process as a whole. In many cases, the time spans within which certain operations must take place are very narrow. The knowhow of the crop farmer is decisive in getting everything done while taking weather conditions into account.

No Rigid System

[Dr Bachmann] I would like to place work quality next to the proper timing of agrotechnical work as an implicit condition for obtaining consistently high yields. Proper timing and quality go together. To provide quality work at all times, that is the way to fulfill the higher objectives of the 1980's.

[Helmut Hempel] We, crop farmers, could not agree more with scientists, that optimum timing must be adhered to--from the time of sowing until the plowing of the last furrow in fall--if we are to improve the yield level of our fields. The normative provisions to that effect are known to us and have become a routine part of our campaign planning. However, with our present acreage--our agricultural producer cooperative cultivates an agricultural area of over 6,000 hectares--we had to accept an initial risk when shifting most of the cultivation work to the agrotechnically most favorable time spans.

[Dr Koeppen] The Winningen crop farmers did right. As Prof Ebert already stressed, agrotechnical timing cannot be squeezed into a rigid system. We cannot say that a certain work has to be done within these three or four days; rather, the decision on when to cultivate is primarily a function of soil conditions. We, scientists, can recommend normative timing provisions, but in the end it is up to the practitioner to decide whether he will execute the work at the beginning of an agrotechnical time span, or whether quality considerations require that he should wait a little longer. Nevertheless, he must keep to the optimum time span.

Time lost cannot be made up for by more work. The growing season of each year is something which has been fixed for us. We must guide ourselves accordingly. An eating potato planted before 15 April yields up to 30 percent more than one planted mid-May; that has been shown by several years of testing.

[BAUERN-ECHO] Dr Bachmann has already drawn our attention to proper timing and quality. What part do these play in cultivation?

[Prof Kunze] Basically, it is a question of creating conditions which make it possible for the plants to make maximum use of the growing period. Ad-

hering to agrotechnically favorable timing should never be bought at the expense of quality. An important characteristic in determining when to begin soil cultivation is the moisture content of the topsoil. In the spring of 1980, we had better conditions for an early start than last year. Early in April, the soil had dried off well, and the frost had given it a desirable crumbly structure. Not many operations were necessary to prepare it for sowing summer grains and sugar beets. That has enabled us to gain time.

Following the precipitations of the past few days, things have become more complicated again. A lot of flair will be required from the crop farmer. Ill-advised actions, for instance insisting on sowing two days too early, at the risk of causing structural damages, will achieve nothing. Adhering to the proper timing under difficult conditions requires a compromise on the part of the crop farmer. As colleague Hempel stressed, our large acreages force us not to wait too long to start working. But crop farmers are right when they cultivate differently the various fields of a rotation unit depending on soil quality and moisture content, or when they divide some fields, i.e. when they cultivate only certain areas. That, too, will result in a staggering in time.

Effect on Yields

[BAUERN-ECHO] What is the effect of proper agrotechnical timing on yields?

[Prof Ebert] As far as fall sowing time for grains is concerned, we know that if we wait until after the optimal time is past, we lose 30 to 40 kilos per day on the yield. Special attention should be paid to this in the case of winter barley for which the proper time span is very narrow. At present, the proportion of late grain-sowing in the republic is 30-40 percent. We must use all means to reduce this proportion to 20-25 percent within the next 5 years. We all agree that, for objective reasons, there will always be a small proportion of late sowing in crop production.

[Dr Koeppen] Potatoes planted very late, i.e. in May, such as for instance the variety Astilla, also encounter less favorable photoperiodic conditions. They start when the days are long and react by producing lower yields.

[BAUERN-ECHO] Could you explain to us some of the factors which affect the proper timing of agrotechnical work?

[Prof Ebert] In this case too we distinguish between objective and subjective factors. Among the objective factors is, first of all, the fact that agriculture is an outdoor occupation, that we have no control over the weather. The number of workers is also an objective factor. In my opinion, we should agree rather on the subjective factors. For instance, a better plowing at the right depth, and above all the shallow plowing of stubble fields, represent important reserves which could contribute to quality improvement and proper timing of grain production.

During the past two years, the Winninger crop farmers have gained better control over timing and quality thanks to agrotechnical measures. Maybe you could briefly tell us how they tackled this job!

[Hans Schmid] Mainly through a very accurate preparation of the work, i.e. by tackling the tasks at the right time, with full effectiveness and the best quality. This was made possible by securing wide democratic cooperation from all cooperative farmers and workers of our agricultural producer cooperative, as it is firmly established in our model statutes.

[Heinut Hempel] In the competition, we focus on the unity of timing as scheduled and quality, which has the effect of stimulating productivity, both materially and morally. It is important that we, crop producers, master the golden rules of agriculture and feel responsible for our soil.

[BAUERN-ECHO] By focusing on the all-important objective of adhering to the proper timing for cultivation, important operations are often neglected. What effect does this have?

[Prof Kunze] An analysis of the central sugar beet conference has shown that on approximately 40 percent of the land fit to grow sugar beets, the subsoil is packed. The year before, measurements made by our research center with manual static pressure tubes have shown that 3/4th of the subsoil at D-locations, and 20 percent of the loess soil showed damages due to packing. Therefore, this is another important task for us, one which we must get under control if we are to achieve consistent yields. It is important that crop farmers undertake to loosen the subsoil at the proper time. The soil must be dry. It is wrong to undertake to loosen the soil in spring as they did in the Magdeburg plain; the desired result is not achieved that way. Also, the only parts of the fields which should be cultivated are where it is absolutely necessary to do so; and that should be done to the right depth.

The statistics and evaluations from the ministry confirm that reserves are by far not fully utilized during the summer. For instance, the powerful tractors are not used to full capacity. This has to do with the fact that in many places the K-700 drivers double up as harvester captains. The two do not go well together. The method used by permanent soil cultivation collectives, which guarantees double-shift utilization of the machines, has proven successful in this respect.

[BAUERN-ECHO] What reserves could be made available to ensure the proper timing of agrotechnical work?

[Prof Ebert] That begins with crop rotation planning and accurate work planning. In the case of winter wheat and winter barley, which are widely used in crop rotations, for instance, 100 percent cultivation in prior crops which can be harvested early--among which certain soviet varieties of winter wheat--makes it possible to gain 6 or 7 days in planting the

new crop. A high degree of effectiveness in harvesting and a prompt plowing of the stubble are necessary to ensure quick germination of the fallen grain. We recommend that crop farmers always sow winter barley in a settled seed plot. The soil settling process can be accelerated with a topsoil packer. Another mistake which we still make is an exaggerated concentration of winter barley in enterprises. This is why crop farmers should consider whether we should not return to planting part of the fields in wheat or rye, in order to differentiate the agrotechnical sowing time spans.

[Prof Kunze] In cultivating the soil, the depth of cultivation should vary depending on the previous crop, the type of crop and the location. It is also possible to increase the pace by coupling several processes, for instance in combining plow, packer, harrow and trailer. The new B-601 device for the B-550 has proved successful. However, one should be careful to use packers on all plows to obtain an even quality and avoid additional work later on.

Saving a Few Days

Also, various seed-plot combinations have been developed to achieve higher per-acre productivity and to improve quality. One rationalization variant, the combination--it consists of one trailer, three rows of zinc tools, a second trailer and a large pulverizer--is now produced in series.

[BAUERN-ECHO] At the central sugar beet conference in Markkleeberg, the role of agrotechnical timing in achieving consistent yields was discussed. As a result it was recommended to sow as early as possible. How should crop farmers go about this task?

[Dr Bachmann] Sowing as early as possible, and therefore shifting growth to spring offers advantages as a result of the better insolation compared with fall months. But the timing of sowing is tied decisively to the trafficability of the soil, to its structural condition. Of course, early sowing is also closely related to all other successive measures. This is why it is right to start early, because 800 to 1,000 hectares of beet have to be planted during April. And even the best farmer cannot plan the weather ahead of time?

[Prof Kunze] An early sowing of sugar beets is possible only in connection with a high quality preparation of the field--beginning already with shallow plowing after the harvest and optimum soil cultivation in fall. By additional levelling of the fall furrows, one can already anticipate one operation in seed-plot preparation. It is possible to gain a few days for the sowing, and better conditions are provided to obtain a homogeneous seed-plot.

Even with additional operations, it is not possible to catch up in spring with what one has neglected to do in the fall. On the contrary, the result is only more vehicle tracks, which are just covered. This requires

not only more time and money, it also lowers the quality. Research at the Halle University has shown that, already at the time of sowing, 60 percent of the acreage has been compacted again.

[Helmut Hempel] Levelling in the fall is something with which we have no problems. But we have trouble with the application of N fertilizers. There are differences of opinion as to the timing. What do scientists recommend?

[Dr Bachmann] A successful method consists in applying N fertilizers, for instance urea, to frozen levelled fields. Research has shown that a slight thaw around noon is sufficient for the soil to absorb the urea. It is only when natural conditions, for instance the load-carrying capacity of the field, do not exist, that the application of fertilizers can take place after sowing, in order to avoid vehicle tracks. This spring, however, this has not been much of a problem. In the case of beets, nutrition during the early stages is decisive. What they need in June or July for their growth period, they can draw themselves from a well cared-for soil. Late application of N fertilizers is a mistake mainly because it will only promote leaf growth.

[Dr Koppen] In all operations, a right ideological attitude of each co-operative farmer and worker with respect to the measures to be executed constitutes an important condition of success. As an example, I would like to mention bank-forming which is practiced in such an exemplary manner by the Winnigen people. This relatively recent process requires an additional operation in the fall, but it permits a gain of time in potato production as a whole.

[Hans-Georg Lenze] We have recognized that, and in the fall we have organized our workers in such a way that two machines were available for bank-forming, even during work peaks. We have managed that by creating permanent specialist collectives. For instance, we have a permanent soil cultivation brigade. It is subdivided into one group each for the T 150 K and the K-700 mechanizers. The ZT-300 mechanizers are taking over the initial & final plowing of the plots, and cultivate corners and the plots previously turned. On the same plot, as Prof Kunze recommends, there are only one or two K-700 working at the same time. In this manner, it is possible to control quality accurately. This reinforces the personal responsibility of our mechanizers.

[BAUERN-ECHO] What practical indications does agronomy give to plant producers with respect to adhering to proper agrotechnical timing?

[Prof Ebert] This happens in many ways. For a long time, the present council has given important indications concerning fertilizer application. For the first time this year, we are providing agrochemical centers with precise information concerning the application of stalk stabilizers. Our institute provides support to the bezirk and kreis councils in

determining grain maturity, so as to enable an accurate timing of the harvest. As director of the Central Technical Commission for Plant Production, I would also like to mention the many activities of the GDR Agronomic Society in disseminating scientific knowledge.

Scientific Council

[Prof Kunze] All measures which contribute to the improvement of soil fertility also have an effect on the adherence to optimum time spans. For the northern bezirks, we have developed processes for the required drainage and hill-top improvement. This gives the soils uniform technological properties. It contributes to achieving greater effectiveness and keeping to scheduled timing in cultivation and other work.

[Dr Bachmann] In preparation for the Markkleeberg Session, accurate recommendations for beet production have been elaborated. We are now using the press to give crop farmers indications on how to achieve more effective management decisions. We should also mention our cooperation with other institutes and the joint elaboration of recommendations.

[Dr Koeppen] We have had good results, for instance, with the popularization of potato storage in large pits. This spring, we are orienting crop producers basically toward a higher planting density--43,000 to 45,000 plants per hectare for eating potatoes, and over 50,000 for seed potatoes.

[BAUERN-ECHO] We thank you for this informative conversation. We wish to thank more especially our hosts at the Winingen Agricultural Producer Cooperative (Plant Production).

9294
CSO:2300

GERMAN DEMOCRATIC REPUBLIC

FIGURES PUBLISHED ON USE OF SECONDARY RAW MATERIALS

East Berlin PRESSE-INFORMATIONEN in German No 40, 3 Apr 80 supplement pp 1-IV

[Published by Press Office, Chairman, GDR Council of Ministers: "Increasing the Recovery of Secondary Raw Materials for the Continued Supply of the Economy"]

[Text] The junk trade has been offering higher prices for ferrous metal scrap since 1 March, for old papers, bottles and glass containers since 1 April. This increased material incentive for the population to recycle important raw materials available in households is one of the measures taken to increase considerably recovery from the economy and from the territories in order to ensure the continuous supply of our national economy. Many initiatives are under way in enterprises, cities and communities to develop these important raw material reserves. The experience reported in this supplement should be helpful in undertaking and promoting such initiatives on a larger scale.

In pursuing the established economic and social policies of the GDR, we must take into account the new situation of the raw material supply resulting from the continued increase in raw material costs. We are forced to fulfill the production objectives for 1980 and the following years with raw material and equipment stocks which cannot be increased at all, or only insignificantly. As far as the 1980 plan is concerned, this means increasing the production of goods by 4.7 percent with an increase in raw and other materials of only 0.5 Percent.

In 1980 and in the following years, one single source will have to cover over 80 percent of the total increase in equipment and raw material needs: improvement of materials economy, a more economic use of raw and other materials and of the equipment. Obligations such as those undertaken following the exchange of experience between the Central Committee of the SED and the industrial and construction collective combines--viz. to achieve

an industrial goods production of 2 billion marks over and above the plan, and mostly with materials saved--are characteristic of the new quality of the competition to solve this task.

First-Rate Economic Matter and International Trend

In the years to come, the raw material growth which is necessary and feasible must result almost exclusively from the organization of domestic raw material sources. Secondary raw materials represent a significant and increasingly important part of our domestic raw material base; at present, they cover approximately 10 percent of the raw material requirements of our industry. This proportion must be increased. As Erich Honecker said at the conference of the first secretaries of SED Kreis directions, "as far as secondary raw materials are concerned, this is a first-rate economic matter." Our own efforts in this area aim at "realizing an international, significant trend of scientific and technological progress."

For a whole series of branches and collective combines, the planned supply of secondary raw materials has become, now more than ever, a fundamental question in ensuring production, both materially and technically. Branches such as the paper industry, the steel industry, the vegetable and fruit canning industry, and the bottled beverages industry could not exist without secondary raw materials. Let us just recall that old paper covers 46 percent of the raw material requirements of paper mills. Scrap represents 75 percent of our steel production, and the beverage and foodstuffs industries get 60 percent of the bottle and glass containers they need from the junk trade.

Secondary raw materials have become an internationally recognized source of valuable raw materials. During the mid-1970's, approximately 47.5 percent of the world total raw steel production was obtained by smelting scrap: in the USSR, almost 500 kilos per ton; in the United States, 324; in Sweden, 620 kilos per ton. The use of secondary raw materials in the largest industrial countries in 1975 amounted to 35 to 40 percent for the production of copper, 40 to 45 percent for that of lead, and 20 to 25 percent for that of aluminum.

The use of old paper is also increasing everywhere. In 1970, it amounted to about 126 million tons in the whole world; in 1980, approximately 187 million tons. At present, Czechoslovakia derives 27 percent of the fibers used in its paper and cardboard industry from old papers; Poland, 34 percent; the FRG, 46 percent; and Great Britain 47 percent.

Prerequisite for Greater Production Effectiveness

The better utilization of secondary raw materials counts today, and will count in the future, among the most important conditions leading to a drastic increase in production effectiveness; its effects are many-sided and range from a greater effectiveness of the raw materials economy to a reduction of investment expenditures, an increase of work productivity in

the processing industry, and even an improvement of the energy balance. Investments in the secondary raw materials economy yield four times as much profit as comparable investments in the primary raw materials economy, since, for instance, most exploration and development expenses become superfluous.

Since secondary raw materials are already to a large extent in a refined form, it is possible to save technological processing steps and to reduce fabrication costs drastically compared to primary raw materials. For instance, scrap has a 90 to 100 percent iron content, far in excess of even high-grade ore content, which is approximately 45 percent. When scrap is used instead of raw iron to produce steel, a much higher smelting efficiency is possible. One ton of steel scrap yields 640 kilos of rolled steel or 510 kilos of plate. The recycling of 100 million bottles and glass containers saves not only the investments which would be required for a new medium-size glass factory, it also reduces current production costs for glass sand, soda, heating oil, electricity and gas.

As a rule, considerable amounts of energy can be saved by using secondary instead of primary raw materials. The production of aluminum from scrap requires only 2,000 Kwh per ton, instead of 51,000 Kwh; that of copper, 1,700 instead of 13,500 Kwh; that of steel, 1,500 instead of 4,000; that of manganese, 1,900 instead of 91,000; that of titanium, 52,000 instead of 125,000 Kwh per ton. Therefore, using secondary raw materials means producing more effectively!

Old paper offers considerable advantages from a material and economical point of view. The use of this valuable secondary raw material saves annually over 3 million approximately 80-year-old trees from being cut. If the GDR did not use any old paper, 130 square kilometers of forest would have to be cut every year for cellulose production. This represents a 500 meter wide strip from Berlin to Erfurt. When substituted for wood pulp, each ton of old paper can replace 2 stacked solid cubic meters of spruce fiber wood; when substituted for cellulose, 4 stacked solid cubic meters. Each ton of old paper saves 12 trees, and 100 marks' worth of old paper replaces 240 marks' worth of fibrous raw materials. In addition, specific energy requirements are lower than when dissolving primary fibrous materials. The use of old paper in the paper and cardboard industry must be further increased by sorting out old papers by grade as far as possible, and thereby making it possible to improve fiber quality through special preparation and transformation processes.

It is very important to return and recycle packaging containers. This is one indispensable condition to satisfy the growing demand for packaging containers. At present, 21 percent of all metallic packaging containers and 13 percent of all plastic containers are reused. Only 25 percent of all corrugated or plain cardboard boxes are reused. The objective is to achieve a proportion of returns and reuse of 40 percent. Up to 65 percent of all glass containers are returned.

By reusing packaging containers, it is possible to save considerable amounts of primary raw materials which are urgently needed by our national economy. They represent, for instance, 70,000 tons of paperboard and pasteboard every year, 110,000 tons of steel plate, 160,000 tons of quartz sand, 50,000 tons of soda and 90 million Kwh of electricity which we will not have to use if certain packaging containers are used repeatedly.

The Central Problem: Improved Coverage

All together, we will process 30 percent of our available secondary raw materials in 1980 as scheduled, i.e. over 21 million tons. The 70 percent lacking to make up 100 percent show the potential reserves on which we can and must draw in the years to come. Yet, there has been a total shift in the ratios of recovery and utilization of certain secondary raw materials. The worries of past years concerning the full utilization of the materials recovered and collected have made place to the task of recovering even the smallest reserves in order to secure the material and technical supply in sectors as important as metallurgy, paper and cardboard production and the foodstuffs industry. This is due, for one, to the fact that a series of new processing facilities have been put into operation during the past years; on the other hand, however, this fact also reflects clearly the new situation of raw material procurement.

The explosion of raw material prices has made of secondary raw materials a first-rate economic factor in any national economy. For 1980, we already require improved coverage for such articles as used oil, plastic wastes, wood residues, silver-containing solutions and corundum residues (grinding wheel fragments and rests). Absolute emphasis should be placed on scrap, old paper, mainly newspapers and magazines, and bottles and glass containers. This is the reason why the purchasing prices for these items of decisive importance have been raised considerably to make recovery more interesting for the citizens and to make better use of the large reserves which exist in households.

The price of ferrous metal scrap has just been doubled. The price of bundled newspapers, magazines and brochures is now 30 pfennigs per kilo instead of 15 pfennigs previously; the price for books has been increased fourfold, that for school notebooks fivefold. The amount paid for various kinds of preserve glass containers has been increased from 5 to 30 pfennigs, and people are now getting 20 pfennigs instead of 5 for the standard liquor bottle produced in the GDR.

Greater Efforts To Cover Scrap Requirements

During the past years, we have had to increase our efforts significantly to be able to cover the scrap requirements of our steel plants. Yet, we have not been able to fulfill the objectives of the plan in all sectors. However, scrap imports cost a lot of foreign currency to our national

economy. When economic sectors such as transportation, coal and energy, heavy machinery and capital goods production, and the chemical industry did not attain their planned objectives for scrap in 1977, it had a considerable impact. Bezirk councils have also fallen behind.

During the first three months of 1980, the supply of a series of scrap items has again fallen behind, for instance in large collective combines such as the VEB Walter Ulbricht Works in Leuna, and the Neustadt Progress agricultural machinery collective combine, another state enterprise. The same applies to the bezirks of Neubrandenburg, Karl-Marx Stadt, etc.

Most of the scrap which we need, over 95 percent of the steel scrap, comes from branches of the economy; it occurs as production scrap and amortization scrap following the elimination of antiquated plants. But the recovery of scrap from households, achieved as planned, will still cover the requirements of the largest steelplant of the GDR, in Brandenburg, for 45 days.

A much larger part of the total recovery comes from collecting special kinds of scrap in cities and communities; for cast-iron scrap and copper, for instance, this represents 17 percent, 27 percent for lead, 24 percent for aluminum, and 36 percent for zinc. In addition to making available, as intended, the scrap reserves of the collective combines and of the agriculture, the increased quantities collected in residential areas are, therefore, of considerable economic importance.

Households as Important Sources of Recovery for Old Paper, Bottles and Glass Containers

In no other case are we as dependent on the recovery of secondary raw materials from households than in that of old paper, bottles and glass containers. This results from the fact that households supply a large proportion of the total recovery of these items, and above all that by far the largest reserves occur in households.

Analyses have shown, for instance, that household garbage contains up to 25 percent of paper and glass. This does not even include the paper which is burnt. This is why we are directing all our efforts to recovering 16,000 tons of old paper and approximately 50 million bottles and glass containers this year, over and above the plan provisions, and to recycling them to ensure the supply of the paper industry and of the foodstuffs industry. After all, these quantities represent 10 and 15 percent respectively of the present total recovery from households. To fulfill the plan and the additional tasks, collectives of the junk trade must provide an additional 6 to 8 days of collecting for paper, and 15 to 18 days for glass containers. These objectives cannot be reduced.

The objectives are high, but real. In the Leipzig Bezirk, for instance, 17.6 kilos of old paper per inhabitant are collected every year. In neighboring Halle, where conditions are certainly identical, 10.5 kilos are collected. If it were possible to reach the Leipzig level in all bezirke in 1980, 61,000 additional tons of old paper would be made available to the economy. This represents 1/4 of the amount to be collected from households in 1980, including the additional 16,000 tons objective. This example, too, confirms that our most important production reserve lies in the utilization and assignment of reliable work and management experience, even in dealing with junk.

Experiment With High Prices a Success

Our experience in Halle Bezirk last year shows the extent of the reserves. An economic experiment involving higher purchasing prices for ferrous metal scrap was carried out in its 13 kreise; since 1 March 1980, these prices are applied everywhere. As anticipated, this has stimulated the collecting activity for ferrous metal scrap. Compared to the kreise which were not taking part in the experiment, the average rate of increase was 30 percent, and the ferrous metal recovery scheduled by the plan was fulfilled at over 155 percent during the 4th quarter of 1979. Similar results were also obtained during January and February.

However, this was not the result of the increase in purchasing price alone. Rather, it was necessary to support it through other activities, above all through a strict management and organization of the collection, through close cooperation of all those involved, such as the junk trade, the metal processing collective combine (a state enterprise), local councils and responsible secondary raw materials activist groups. Experience shows that ferrous metal scrap collected in large quantities must be handled and shipped to the steel industry as rapidly as possible. This means that collecting centers will be emptied quickly and the scrap recovered by social collections shipped off immediately. This also implies a progressive improvement of purchasing conditions.

Ready for Larger Collection Initiatives

One important concern is to increase the number of state-owned collection centers. They form a stable base for planned and continuous collection. During the past 4 years, the number of state-owned collection centers has decreased from 1,281 to 1,125, i.e. by 156, instead of increasing as planned. The point is that local state institutions have been more consistent than before in ensuring that junk trade collecting centers are integrated in newly built urban areas. The objective is to guarantee a greater stability in business hours, through territorial community work, by having recourse to "short-notice" personnel, to improve cooperation with private collectors and, with the support of local institutions, to create additional purchasing possibilities, especially in department stores and other central points, mainly by using vacant commercial space. It is important to enable all

purchasing centers to buy the whole range of products. Where this is not yet possible, intermediate solutions are often found, for instance the use of scrap containers, the creation of scrap centers in the communities.

Another important prerequisite for the increase in scrap recovery has been found to be the purposeful information of the population. It has paid off to publicize in detail the increased purchasing prices, to explain thoroughly why scrap collecting has become a social necessity for our national economy, to make sure that the business hours of the purchasing centers and anticipated cooperative collections are always published, to express public appreciation for outstanding initiatives. In many places, this popularization of initiatives is just not yet given the necessary attention.

The experiment made in the Halle Bezirk has shown that the activists groups involved in secondary raw material collection obtained their best results with the kreis councils who understood how to rouse social initiative. Based on such efforts, for example, 38 tons of ferrous metal scrap were collected in January alone in Blankenheim, Sangerhausen Kreis, with the help, among others, of the volunteer fire department. Agreements with schools are no longer restricted exclusively to nonmetallic secondary raw materials. In the course of the experiment, 21 schools in the 13 selected kreise of the Halle bezirk have concluded agreements for the collection of scrap.

Enterprises Make Scrap Reserves Available

A decisive factor in scrap supply has been above all that enterprise reserves have been purposefully made available. In the Ruedersdorf cement works (a state enterprise), the state planned quota has been broken down per department of the enterprise according to the potential recovery for each assortment. During the first three months of this year, the enterprise has also fulfilled the quotas imposed for the most important items. Collectives have undertaken obligations concerning the processing of all fixed and moving devices to be eliminated during 1980. As a result, it will be possible to obtain more than 60 additional tons of steel scrap. The enterprise will also provide technical means for disassembly and lifting equipment.

The VEB Schwarze Pumpe Gas Combine owns its own mobile scrapping complex. An experienced collective of experts is equipped with lifting equipment, cutting tools and means of transportation; it falls within the province of the production director and follows an accurate working plan, especially in disassembling and dismantling fixed devices which are to be eliminated. In this manner, the gas collective combine fulfills uninterruptedly its scrap production plan.

In the Saxon bridge and steel construction state enterprise, in Dresden, secondary raw materials management is a permanent part of planning. It

takes place according to metal recovery, taking into account material and economic measures and the anticipated elimination of facilities for amortization scrap. Every month, the secondary raw materials index is calculated and documented when rendering accounts. Every quarter, a special inspection of the enterprise by the enterprise director, social organizations and the directors of the production centers takes place. Coverage of secondary raw materials is part of the socialist competition. When judging the competence of the directors or foremen, the importance as well as the storage, processing and sorting out of secondary raw materials are examined.

At present, qualified personnel from the VEB Carl Zeiss Jena Combine are disassembling an old 114 meter long railroad bridge. They expect to recover 600 tons of scrap. At the Zeiss works, a catalogue of objects worth taking down is being established; qualified personnel from large enterprises will help in the disassembly.

Recovery of Precious and Valuable Metals

Initiatives to sort out scrap by type, to store and deliver it are of great importance for our national economy. Scrap of a definite steel brand, for instance, can be used in smelting steel of that very same brand, thus saving valuable alloying additions. The organization of scrap collection by type has just begun.

All attempts at extracting increased amounts of precious and valuable metals from the scrap recovered deserve recognition. In 1979, the metal processing collective combine (a state enterprise) of our national economy supplied over 1.2 tons of silver obtained by scrap processing. In addition to the planned quotas, considerable amounts of cobalt, tungsten and molybdenum were recovered.

The VEB Transmission Works in Brandenburg, for instance, has a regular program for the recovery of tungsten scrap from used metal plates from tools. In 1978, 88 kilos were thus made available for reuse, and 557 kilos in 1979. After a survey of the potential recovery, the necessity for it was explained to members of the enterprise, a material incentive was fixed, and a system for collecting the small hard-metal plates was set up. In 1980, after renewed popularization of the task, most workers using tools provided with these tungsten plates had undertaken to collect tungsten scrap and sort it out by type as a commitment in their personal creative plans or their personal contribution to the plan.

Initiatives in Cities and Communities

Secondary raw materials are always in season! The processing industry requires a steady supply of these domestic raw materials. This is why permanent collecting is possible and necessary. The spring cleaning actions which are now taking place everywhere are well suited to tracking down secondary raw materials and bringing them back into the material circuit.

The collections of old raw materials by social organizations in cities and communities, organized by the National Front committees, domestic communities, Free German Youth root organizations, schools and pioneer student groups, Democratic Women's League of Germany groups, small-garden clubs, local popular solidarity groups, units of the volunteer fire departments, etc., have been a success. Long-term agreements between collection collectives and the corresponding branch of the junk trade (a state enterprise) provide a good prerequisite for success. The advantage is that once collection dates have been set, the junk trade can coordinate the activities scheduled and finds itself prepared. This ensures that the necessary transportation capacity and empty containers, such as crates, cases and sacks are provided. In addition, collection collectives receive not only increased purchasing prices but also an increased remuneration for organized social collections--i.e. welcome proceeds for their political, cultural and athletic activities. At present, there are approximately 4,500 such agreements between the junk trade and social collectors. In the Erfurt Bezirk, almost all National Front action committees, and almost all Berlin schools take advantage of these conditions.

In Berlin, 22 containers for the collection of scrap have been placed in front of collection centers of the junk trade which until now had bought only non-metallic junk. This makes it easier for the citizens to deposit metal objects at the right place. An average of 3.5 tons of scrap per month and per container is collected in this manner. More containers will be added in 1980. In Berlin also, containers, mainly for small scrap, have been placed in school yards or in their vicinity and removed after one or two days.

In the second semester of 1979, checks at 183 dumping grounds in the Magdeburg bezirk have shown that they contained approximately 900 tons of scrap. Up to 50 tons were found in dumps in the Schoenebeck and Haldensleben kreise. Legal provisions, such as the secondary raw materials ordinance of 11 August 1978, prohibit the dumping and levelling off of scrap with other waste products. On the contrary, they suggest that metallic objects be collected and recycled.

At each of the 2 authorized dumps in Doebein Kreis, over 60 tons of scrap, predominantly ferrous metals, have been collected during the past 2 years and supplied to the junk trade. The city management state enterprise has agreed with the collectives of these dumps and the sanitation crews that they could collect scrap at the dumps after their regular work is done, and would keep 85 percent of the proceeds for themselves. Until now, trailers were at hand to receive the scrap; in the future, a large container with a capacity of 6 cubic meter will be stationed on each dump.

Important Responsibility of Activist Groups and Employees Involved in Secondary Raw Materials Collection

In the Erfurt Bezirk, activist groups involved in secondary raw material collection at kreis level perform their work steadily and with determination. Thus, scrap collection actions directed by the activist group for secondary raw materials collection in the city of Weimar achieved a result of 50 tons in January 1980. The local National Front committee of the Tunzenhausen community, in Soemmerda Kreis, and other social forces, have organized a special action in January; it yielded 11.5 tons of scrap.

In the north central district of Karl-Marx Stadt, the quantities of scrap from households and collections has increased fourfold in only four years. Considerable planning, organization and coordination work has been provided by the group "Employees for Secondary Raw Materials" of the city district council. They start planning social collections or bulky-refuse removals and scrap separation for the following year already in October-November, in cooperation with the National Front city district committee. Arrangements for transportation are made with enterprises. The collecting enterprises receive a list of the social collections which are to take place in the coming months, so that they know which residential district committee is going to deliver secondary raw materials on a given weekend. The bulky-refuse centers in every city district have become transshipment points for metallic secondary raw materials since this is where these materials are always sorted out.

In Stollberg Kreis, a turn in the fulfillment of the plan has occurred within a few months. While the kreis still owed 140 tons of scrap in August 1979, it exceeded its planned quota by 270 tons in September and by as much as 380 tons in December. And this year, it is fulfilling its obligations too. After control by the state inspection for metallic secondary raw materials, the kreis council has introduced measures to catch up on the quantities owed. Since then, the kreis activist group involved in secondary raw materials has been discussing the tasks regularly and organizing the work. For 1980, the chairman of the kreis council and of the National Front kreis committee have concluded an agreement with the corresponding junk trade enterprise; this agreement determines for each city and each community when, how and by whom collections are to be organized, and who is to provide transportation capacity.

Everywhere, we must consider how we could increase the responsibility of activist groups and employees involved with secondary raw materials collection. At present 70 kreises still do not have any such institution, although experience has shown that they play a decisive part in mobilizing all social forces in the territory, in generalizing the successes achieved, and in organizing collection actions.

FALUVEGI LECTURE AT MSZMP POLITICAL ACADEMY PUBLISHED

Budapest **FELZUGYI SZEMLE** in Hungarian No 4, Apr 80 pp 243-267

[Lecture by Lajos Faluvegi, minister of finance, at the MSZMP Political Academy: "The Conditions of Our Economic Building Work and Financial Policy"]

[Text] Changes in the Condition System of Our Economy

In the 1970's our development reached a phase where both foreign economic conditions and domestic circumstances placed new requirements on our work. Therefore the key question of socialist building work is how we are to understand the constant modification of the conditions determining our management, and to draw the necessary deductions.

The purpose of my lecture is

--to study the changes which have taken place in the condition system of our economy, the effects thereof on our economic efforts, and moreover by taking these into account

--discuss the future tasks of financial policy.

Economic Development and State of Development

In the past 30 years our international development has resulted in many changes of considerable importance. Like the other socialist countries we also have established socialist production relations and the conditions of planned management in a historically short period of time. We have surmounted--even if there were unforeseen difficulties--the industrialization phase, and have realized with great success the socialist reorganization of agriculture. We have trained tens of thousands of people and provided them with many-sided, valuable knowledge. By analyzing our own experiences and those of others we have constantly perfected the guidance system of our economy.

The rate of our economic growth in the past 30 years has corresponded to the average for the CEMA countries, and in comparison with that of capitalist countries it may be described as rapid although not outstanding. During this period great changes took place in the macro-structure of our economy: the ratio of those employed in agriculture declined by more than one-half, and the ratio of those employed in industry doubled. In recent years the ratio of workers in the services also began to increase although at a slow rate. Outside of rapid industrialization, the main driving force of our development in the first period was that we vigorously increased the level of employment and producer accumulation.

International experiences show that after the attainment of a certain development level emphasis is placed on the intensive development of and quality change in the economy, and this takes place more deeply in the micro-sphere among product groups, chiefly with produce replacement and technological development.

Beginning in the 1960's, the shifts in ratios among the branches of the economy have also slowed down in Hungary. The branch structure of our industry is now approaching that of the economically developed states—the ratio of the machine industry is great, and the ratio of the chemical industry is increasingly strong—but in many respects the modernity of our products is still lagging behind those of the mentioned countries. The reason is that in our exports to the developed capitalist countries—as compared to the national economic ratio—the role, for example, of machine exports representing a modern and high technical level is very modest.

As a result of our development, we now classify economically as a medium developed country. As measured by per capita national income, our country's state of development is at about the average for CEMA countries. Comparing the per capita gross national produce, we still lag 40 to 50 percent behind West European countries similar to ours in size and endowments. Our disadvantage is even greater in comparison to a number of especially developed countries.

But we cannot judge state of development on the basis of a single index which, in addition, may be of uncertain comparability. There are areas—for example, the ratio of qualified specialists—where we are ahead of countries at a similar state of development. Our distance from the front is smaller, for example, in the ratio of expenditures for research and development. However, we cannot ignore those interrelations where our lag is considerable. Among the most important of these is that our old lag in per capita production and consumption persists in comparison to leading countries. The main reason is that our investments do not result in the desired growth of the national income. Even greater is our lag in the infrastructure—despite the results of the past 10 years—because it requires a much greater effort on our part to overtake other countries in this respect than in the level of national income or consumption.

The level of productivity is also lower than would be justified by our state of economic development. Organizational development did not follow the rise in the technical and technological level. The innovative process is slow. The state of the economic bases of society and the inner dynamics have gradually become key questions to further progress, and we must face up to this frankly.

Our enterprise organizational system is much more centralized than that of more developed countries; in this respect we are also in a doubtfully outstanding position among CEMA countries. This does not mean, however, actual concentration of our resources--accompanying development--or the exploitation of economic advantages deriving from the dimensions of production.

The adjustment capability of overly centralized economic units is slight, their internal guidance is difficult, their monopoly situation leads to inertia, and in the final analysis they bear on society with increasingly heavy administrative burdens.

In the 1960's we had already recognized the fact that development based on quantitative extension could hardly be continued because of the limits on manpower and because of the increasing need for new and modern products, and therefore we must enter on the course of intensive development. The development conditions have also changed from the point of view that the population no longer spends the greater part of its income on basic consumption. Quality demands are also being emphasized in consumption, the ratio of services is increasing, tourism is on the rise, durable consumer items which make life easier are constantly on the increase as well as automobiles, week-end sites and recreational places.

In the world economy and in the satisfaction of domestic consumer needs alike, economic development factors like adjustment capability, the most economic satisfaction possible of given demands, quality, reliability, etc., have become determining. We must search for new energies needed for development in the micro-sphere, in human factors, that is, in inventiveness, enterprising spirit, risk undertaking, and organization. In this way, the requirement for quality change can be satisfied by increasing the value of physical and intellectual achievements and of products.

We have become used to speaking of the difficulties. When we speak, however, of new and greater tasks, we must not forget that we have more domestic endowments and possibilities which we can devote to our benefit with the conscious shaping of our economic and social outlook. Of course, these do not represent an automatic advantage, but become so only when we recognize and use them.

We can regard as this kind of advantage the large ratio of good quality, agriculturally usable land, and our climatic features. We have raw materials--if not a great variety, but still valuable--like, for example, bauxite, copper, leather, wood, and so forth, which we can process to a

much higher degree than at present. With rational management of manpower we can turn to our benefit a large ratio of highly trained people, and the internationally recognized traditions and experiences in enterprise collectives or agricultural units capable of outstanding accomplishments in a number of industrial branches.

It is all the easier for us to use these advantages because the economic guidance system introduced in 1968 gives greater scope to enterprising and innovative management, and to enterprise leadership.

In the new guidance system we widened the role of economic means which build on value and money processes, and at the same time we narrowed the scope of directives precisely to have every decision made where

--they best know the information necessary for prices, costs and market possibilities,

--it is possible to adjust most rapidly to the changing market demands and requirements,

--the harmony of interest and responsibility makes it likely that the best results will be achieved.

Therefore, the better to realize the central goals, we have assigned decisions and responsibilities more rationally, and at the same time we have liberated many dormant energies in our socialist society.

Those who head managing units and some of the executors of ideas and directives become leaders invested with the possibilities and obligations of decision making. It was an important result of our new guidance system for development not only in the economic but also the social sense. The development of our economic guidance system has not been problem-free or unobstructed. This is due partly to several inconsistencies in practical introduction, for example, improper handling and weaknesses in central guidance of price problems or organizational matters and of conflicts inevitably accompanying altered circumstances, and partly to the well-known turn of the world market in 1973. If progress was more modest than we had imagined and we encountered unexpected practical difficulties, the results achieved and the internal and external compulsion to the desire for intensive development lead us to advance exclusively on this road to approach our goals better.

The International Environment and Its Effects

We have reached a period where before long the determining element in our economic development will be the extent and chiefly the efficiency with which we are able to exploit the advantages deriving from international work distribution. Like other socialist countries we are also striving on the basis of mutual economic advantages to increase our international

economic relations and the economy of our foreign trade. For us this is expressed primarily in always more planned economic cooperation with CEMA countries as well as in constantly expanding foreign trade and economic relations with countries of a different social system.

This process is an important rationalization force for with it the scope is considerably expanded by which the world market measures the level and compatibility of our work and the quality, manufacturing costs and attainable prices of our products. Whether favorable or unfavorable on our behalf, the value judgement of the world market shows what activities of ours are not modern and should not be expanded or in fact should be cut back. It also shows where opportunity exists for economic expansion of production and where this is in our interest.

Participation in international work distribution makes it our elementary concern to follow with intensified interest the processes taking place in the world economy because only in this way can we exploit the advantages deriving therefrom and reduce the disadvantages.

The 1973 and 1974 economic crisis phenomena extending over the capitalist world and also changing in many respects the situation of socialist countries indicate with their consequences the profound changes of the world economy. It has been analyzed from various aspects already that the development which appeared permanent since World War II and freed from more significant recessions will slow down and in the West unemployment and inflation will increase. There are some who emphasize the cyclical nature of the development; others stress that the slowing down is not exceptional but rather the earlier rapid development was. For everyday purposes those analyses are the most noteworthy which systematize the causes. Among these I shall here mention three of perhaps the more important ones.

--One cause is the formulation of the independent national-economic status and interests of developing countries formerly in the colonial ranks, and the fact that the gap is constantly growing between this group of countries and the more developed ones. (According to a report prepared, for example, by Nobel prize winner Professor Tinbergen, the difference in the state of development between North America and Southeast Asia--measured in terms of per capita gross national product--has about doubled as compared to the situation at the start of the century.) It has not been possible for the traditional institutional systems of the international economy to solve this contradiction.

The position occupied by the developing countries in the world and their increasing importance has a considerable effect not only on economic but also on power relations. Economic conflicts transferred to the political arena also stem from this in the practical sense. It is enough for us here to point out the economic and political efforts of the various blocs and groups, and moreover the increasingly more frequent attempts to use the oil and grain weapon.

--Another cause is that the basic conditions of economic and social development have changed. Even if the theory of the Roman Club scientists on the rapid exhaustion of raw material and energy sources is not entirely realistic, it is still an objective necessity that more capital intensive and slower converting technologies and scientific and technical efforts should be made for the more economical use of raw materials and energy sources and for the secondary utilization of existing resources. The already threatening danger in the disintegration of the balance between man and his environment makes great changes necessary in the economy, and in fact also in society's conditions for existence. Where it is desired to avoid a worsening of these problems which were formerly solved by the self-maintenance strength of nature, it is necessary to develop large-scale social consciousness that extends beyond national boundaries and to carry out gigantic investments. This is true for the world as a whole!

--Finally, a significant shift in the ratio of importance has taken place since World War II among the great power centers in the developed capitalist world. The United States continues to be the most developed country, but its unlimited hegemony characteristic at the beginning of the 1950's--which also put its stamp on the institutions of the international finance system--has come to an end.

The situation is complicated by the fact that the so-called Third World is extremely heterogeneous not only politically but also economically. Here belongs Kuwait--with the world's highest per capita national product, amounting to \$15,000 a year--and the lowest in Bagladesh or Ethiopia where it does not even amount to \$200 a year.

When we evaluate the effect of the world economy changes on the Hungarian economy and consider the responses that can be given to this question, it is not without interest to use a historical detour to call attention to the fact that the middle of the 1970's was not the first time that our economy felt the staggering effect of its environment. The agricultural crisis of the seventies in the last century and the general crisis that peaked between 1929 and 1933 were also such turns as reordered the structure of world trade, the system of international work distribution, and the economic and power relations. The response to these challenges was individual or regional isolation or protectionism. The consequence was that the economic structure became rigid, and the lag of the Hungarian economy became greater. Now the historical lessons, the possibilities inherent in the socialist community and our economic self-knowledge make it easier for us to respond to the challenge. But this can only be if by relying on the results attained thus far we exploit the advantages offered by international work distribution. We must bide by this concept even in those periods when the international situation becomes more complex and the process of detente is shadowed by clouds.

For us most of the world economic changes are disadvantageous or have advantageous consequences only in small part. We are adversely affected by

the rise in the cost of raw materials and the most advanced technologies, and by the protectionism accompanying the slow and unbalanced development of capitalist countries. The former increases our costs and the latter makes it more difficult for our exports.

The rising costs for raw materials, energy, and environmental protection will sooner or later tie down enormous amounts of capital in the whole world, and therefore we must count on the fact that the present ample liquidity of the money markets will come to an end or be reduced. This fact in itself warns we must endeavor more intensely than before that in taking foreign credits--for we shall continue to need them--we gain the most favorable conditions. We must strive to use the exploitable advantages in the international financial mechanism and manage them intelligently.

A keener world economic competition is an increased disadvantage for us if we are unable to adjust to the altered circumstances. But we can counter this by modernizing our economic work in the interest of our country's development and the future of all of us, relying on the incentive and compulsory strength of economic competition.

Advantageous opportunities in the process of world economic changes are offered by the fact that the purchasing market and the payment capacity of some of the developing countries has increased and that food-economy exports have not only an economic but also a strategic importance. The extent to which we will be able to exploit these possibilities will be determined by the development of competitiveness. In this, however, an increasingly greater role is played by the flexible adjustment of the production structure to the marketing possibilities.

A constant problem in the past decade--also as a consequence of rapid growth--has been the strong increase in our imports from capitalist countries. We would have liked to speed up with brisker East-West economic ties the transfer of modern techniques and new results from the developed countries.

In part we succeeded in doing this, but experiences show that the import of materials and semiprocessed products and of productive parts has increased in greater ratio. This is to some extent an accompaniment of the import of modern machinery, for these always need raw materials of appropriate quality and parts. But imports also increased rapidly because the domestic bent for cooperation is weak, and we were unable to make up for this even in CEMA trade.

The problem is not that imports have expanded but that the export capability of our economy has not kept pace with the growing cost of the capitalist imports. To put it more precisely, our exports have not increased adequately, nor have export prices risen enough. A determining force was exercised on our exports by the fact that for years domestic consumption

vitality exceeded production of the national income, and therefore from year to year we are compelled to use greater and greater foreign sources.

In the 1970's we could experience new phenomena also in our trade with CEMA countries. In earlier years this market meant for us an unlimited source of energy and raw material acquisition. Last year, too, we purchased 80 percent of our oil and 30 percent of our natural gas from CEMA countries, primarily the Soviet Union, and 20 percent of our electric energy came from the CEMA Cooperative Electric Energy System.

Thus it is still the socialist community which provides us with most of our energy although the possibilities for increasing the imports are now limited. At the same time with its great buying capacity and demands, the CEMA market offered a broad scale of export possibilities. In a certain sense this gave incentive to our developing industry.

In recent years all CEMA countries--for foreign and domestic reasons alike, and sometimes more briskly than our own country--developed ties with foreign countries. The conditions of marketing within CEMA have also become more stringent. Here too the quality requirements on our exports have become greater, and rightly so in consideration of the economic competitive conditions. Demand--in structure as well--has shifted toward the more valuable products, the price policies of our partners have become more vigorous, and we have run into difficulties in raising the level of our export prices appropriately to world market trends, and in the meantime import costs rose considerably.

In trade with CEMA countries, we take world market prices as the base. In order to eliminate, however, short term fluctuations and allow for only more balanced price movements, we take as standard, in trade among ourselves, the world market prices for the preceding five years' average. When justified, we change these foreign trade prices annually. Our economy and our enterprises must count on the fact that in CEMA in the Sixth Five-Year Plan we are also following this price formation practice.

Despite the problems which are appearing also on the CEMA market, it still remains a great advantage for us to be able to manufacture large serial numbers adjusted to the dimensions of the market and to exploit more intensely the advantages latent in cooperation and specialization. It means the guarantee of our further development if we build on security deriving from long term cooperation. It is in our interest to see that scientific, technical and production cooperation should increase as heightened by the necessary modernization of the integration price, financial and credit mechanism. We must be able--and in many respects this is a new and demanding requirement--to strike more exactly the balance and calculation of the advantages that can be realized in potential possibilities and practice, and thereby concentrate our forces on that cooperation which promises the best mutual advantage.

We have already talked much, very much, about the changes in foreign economic conditions, and the terms of trade. In our exports and imports with developed capitalist countries, the worsening of the terms of trade since 1973 reached its low point in 1975 when it was almost 17 percent. Since then there has been some improvement, but even in 1978--as compared to 1972--the loss was 6 to 7 percent. Our trade with the developing countries is small, but our terms of trade are considerably less favorable than with the above-mentioned countries, chiefly because of the characteristic commodity composition. The worsening of the terms of trade in traffic with the socialist countries--in accordance with the price principles used in CEMA--is slower, more than over time--and was smaller in the first years of the price explosion and larger in the past year or two. The combined loss in terms of trade for the three trade relations in 1978--as compared to 1972--came to 16-18 percent, and in 1979 it deteriorated somewhat more. This means that our terms of trade losses as accumulated over the past seven years came to half the increment in our national income.

The worsening of the terms of trade was evoked by external causes since we do not dictate world market prices. But we could have moderated the losses more rapidly than we did. The prices attained in export in addition to the world trends place our foreign trade work and our domestic work in a new light.

The difficulties stemming from the change in economic conditions--and the fact that we were still unable to adjust to conditions--are summarized in the results and the inadequate efficiency of the economy's entire operation. This is true even though the work in our factories is no worse, the operation of our economy no weaker than, let us say, eight to 10 years ago. This is one aspect. But international comparison shows that means efficiency, production per unit of means investment, declined; and productivity, the production per unit of live work, is slow.

Our lag as compared to the advanced countries has continued to increase in the level of both means efficiency and productivity, particularly in several branches. We may add that those products to which we devoted a considerable part of domestic work have been devalued on the world market. The price ratios of our exports and imports have deteriorated. We were unable to follow this rapid change with an equally rapid increase in adjustability because "interest and compulsion" did not squeeze the producer enterprises sufficiently.

The great changes which occurred in 1973 in the world economy placed our economic leadership before a compulsory choice: either permit the changing relations to be realized in Hungary also, that is, reduce domestic consumption suddenly and tighten management conditions, or adjust our economy gradually to the new relations. We chose the latter.

As an idea, gradualism was correct but in the mirror of economic facts we must state that:

--we did not measure well the actual importance of the effect of the changes--moreover we did so belatedly--and in excessively slow process of adjustment was counted on. But this has not been realized as yet either, chiefly because the course and practice of adjustment have not been worked out in detail;

--our guidance system has not given sufficient incentive to change, primarily because our domestic prices have not adjusted to the new relations and because the lack of adjustment did not actually have financial consequences;

--these requirements were not consistently realized in the development thinking of the various branches because the decisions frequently gave excessive advantage to partial interests and to the equilibrium of the managing units, not the economy;

--we also failed to prepare public opinion sufficiently to put up with the greater requirements and the consequences of adjustment; we did not clarify what contradictions and difficulties could develop and how they could be solved.

All these things--the large scale changes in international economic conditions, the worsening trends in terms of trade as they affect us, and the slow nature of the economy's adjustability--require that we again define the tasks and the priorities of importance in our economic policy.

Restoration of the Economic Equilibrium

The foregoing, I believe, adequately substantiates what is the timely and special goal of our economic policy at present to restore the economic equilibrium. We regard as economic equilibrium the harmony of production and consumption, or harmony in supply and demand of goods serving consumption and accumulation. Perfect harmony, of course, does not exist! Development is balanced if from time to time the economy reacts to small and partial imbalances by eliminating them while at a higher development level new partial imbalances may be given rise to. If balance trends prevail in development, then the money receipts and expenditures of the budget, of the population and of the enterprises are in harmony over the long term, or at least one of the income holders--for example, the budget--spends more than it takes in only to the extent that another income holder saves that much.

In our economy we cannot limit the concept of equilibrium to the boundaries of the country, because foreign countries--with the extent and ratios of their demands--classify every day the work embodied in our goods, and with this--increasing or decreasing to a lesser or greater degree--our foreign exchange receipts set a limit to our import demands. This limit can be extended with credits taken from foreign countries. We can use the credits recently received partly for balancing domestic utilization--consumption and

accumulation--which exceeds the national income, and partly for paying off the interest on credits received earlier.

The external imbalance is characterized by the fact that it temporarily conceals the imbalance of the domestic market, for the import surplus can satisfy the domestic demand. This, too, can contribute to a late start in socio-economic reactions toward eliminating the imbalance.

We can also put it this way that at present the volume and composition of domestic production and consumption--without foreign credits--are not in balance, and consumption and accumulation at this level could not be realized without foreign credits.

A country can always develop more vigorously by bringing in foreign sources, but on one hand we must be careful of the extent of the burdens deriving in this way, and on the other hand we must use the foreign sources in such a way that in the following years they will influence a moderation in the burdens. These credits can be taken into account in our inventory of means as supplementary sources. Such credits, however, must be taken only with an assurance of future additional export or repayment capability.

Because of our economic features, the lack of development harmony is expressed in summary form at present by the external imbalance. Therefore, in the coming years the most important goal of our economic policy is to restore the balance.

The question is what road leads to such restoration. It is now obvious that the key to overcoming the foreign economic difficulties is the efficiency of social production. Thus this is the first and main condition for establishing the equilibrium.

This was stated in the 20 October 1977 resolution of the MSZMP Central Committee. Accordingly, in Hungary in the period following the 1970's "a permanently dynamic and balanced economic growth can be attained only with a vigorous increase in efficiency. In the coming period, the main source of a rise in efficiency is change in the domestic features and international conditions of the production structure which will meet market requirements and better use of available producer equipment and manpower...."

A resolute economic policy line and an effective guidance system are inseparable matters that mutually assume each other. The above-quoted resolution also clearly states that "a change in the production structure requires a greater flexibility in increased foreign economic interest and more initiative from the economic units for production and trade. All this is only more purposeful incentive, and it can be realized with enterprise and individual income differentiation depending on achievement. Particularly important is the further development of a price and support system in the direction that will better help solve our structural tasks."

The other condition for establishing equilibrium is that internal utilization of national income, that is, consumption and accumulation, should increase more slowly than heretofore. If the domestic demand increases more slowly, this will reduce our import requirements, and at the same time offer a way for the necessary, more rapid increase of exports and a bolder elimination of uneconomic activities and products, and liquidation of uneconomic organizations.

At the same time as a consequence of all these changes, the rate of economic growth will be moderated.

We must take into account the interrelationships of economic processes and the fact that we can plan only a growth rate by which additional production will truly be suitable to the satisfaction of domestic needs and make it possible for economic exports to expand in a way surpassing continuous imports, and even in such a way that the increase in production in a competitive and economic product structure will be realized in a range of commodity demands on domestic and foreign markets. In the opposite case, marketing would encounter obstacles. This would lead to an increase that would mean a freezing of inventories and resources or would only make exports possible where the import content could not be recovered and would not only fail to improve our foreign economic balance but also make it worse.

This was stressed in the December 1978 resolution of the Central Committee, and this is why it proclaimed that "the economic growth rate and domestic production must be subordinated to the equilibrium goals of the economy. This is the way to consolidate our advances thus far in material production, the shaping of our people's living standards, and in establishing the conditions for future development."

The above-quoted resolutions of our party determine for the intermediate years between the 1970's and the 1980's the main guidelines of our economic policy and practice. Its strategic direction and importance, however, is not for a year or two but for the longer perspective as well. Thus it provides orientation not only for planning to realize economic policy, for regulation and for the institutional system but radiates to every area of education, information, and our social life. Without knowledge and understanding of these resolutions--and of course our actual situation--no one can advance together with the vanguard and with the age in which we live.

The Tasks of Economic Guidance and Financial Policy

The Place of Financial Policy in Economic Guidance

Economic policy not only defines the strategic guidelines but also clarifies the kinds of means by which we can rationally realize our goals.

The functioning of value categories, among other things, is a condition of rational management and economic decisions, for we cannot directly measure work expenditure, and only the consumer and user value judgement can judge the social usefulness of work. That is why we necessarily think at every level of economic leadership in terms of costs, prices, profits which justify the results of expenditures, and in negative losses. The existence of commodity and money relations does not depend on our decisions, they are not even temporary but are regular laws in fact for the conscious use of value categories, the classification of our economic activities, and their improvement. By consciousness we sometimes only mean that we can depart from the yardsticks and the value judgment on the national market. We must now emphasize, however, that we cannot part from these in a permanent and limitless way, rather we must adjust to them--consciously, deliberately, and in an organized way.

Everyone knows that money is present in every economic process in some determining way--in production, distribution and consumption--and it stimulates action or restrains us from taking certain decisions. Therefore, it is the regulatory financial-policy task of the money processes to strengthen economic activity which assists in the attainment of economic policy goals and restricts behavior conflicting with our goals. This is what guides us in our budgetary and credit policy decisions, the regulation of purchasing power and our foreign exchange decisions. Financial policy is the "translation" of the economic policy goal system to special areas of finances and the selection and operation of pertinent means. On the basis of economic policy strategy, therefore, financial policy has its own independent system of means and within that a relative freedom of decision as well. Let us look at examples.

--In the form of supplements and withholdings--for example, sales taxes and allowances--financial policy help the realization of generally conceived social preferences. With this it contributes to formation of the price system, influences the use of production factors and the shaping of the consumption structure.

--Through the regulation of purchasing power, it influences the shaping of the money's purchase value. With its direct means (for example, price supports) or with its indirect means (for example, the modification of the rate of exchange) it helps in realizing relative price stability.

--The ratios of income centralization and decentralization are shaped in the framework of the budgetary policy as well as the direct forms of income withholding--which influence economic work, the extent, criteria and ratios of supports that redistribute incomes. All these things have an effect--strengthening or conflicting with goals--on the attitudes of managing units.

The principles and practice of credit policy influence in a determining way the rate and ratio of economic development as well as current production itself.

With these means financial policy can play an active role in the shaping of economic policy, putting together the economic plan, in the formation of the economic regulatory system and of course in enterprise decisions and activities.

In our system, financial matters receive a characteristic role in economic planning. The plan is linked with market relations or regulations. The financial policy relies on its characteristic signalling and means system and on the value of money processes when it indicates the desired lines and ratios of development, determines the social and economic goals, and concerns itself with the conditions of their realization. The economic plan is partly an economic development notion, an action line built on a system of determined conditions, but it also includes in part direct decisions and directives.

In recent years the realization of efficiency and profitability requirements has been frequently obstructed by the fact that certain decisions regarding management did not take economic consequences sufficiently into account and that the plan also set forth direct tasks of a kind that could not be successfully executed. If such contradictions should arise in the future, it would be proper to study the goals once more rather than ease up on the economy requirements for otherwise we will not be able to improve the economy of production, or slowly at the best.

Therefore, we must show greater flexibility than heretofore in the plans, and in addition to concentrating on the basic processes we must give greater freedom of decision in the case of changing circumstances, but for this purpose it is necessary to have greater reserves and income undistributed in advance. This, of course, will not make the planners' task easier, for it is well known that every branch would like to develop vigorously. The plan, however, can call for only differentiated development, and the basic criterion--naturally beyond the satisfaction of basic needs--is economy. And since economy is not a constant phenomenon but one that changes in time, the planning must rely more on financial policy and its flexible system of means. This will increase the effectiveness of the decision process, and the responsibility of regulation.

Great changes are also necessary in the regulators in order to stimulate enterprises to work what promotes equilibrium and restrains activities that weakens it. The modified rules were put into force at the beginning of this year, and these are known. Now we must here emphasize the changes of attitude which must appear in both the guiding organs and in the managing organizations to make it possible for the new rules to exert the desired effects.

We have emphasized a great deal the normative nature of the regulations. These will be realized when the financial system sets unified requirements on management. We know, however, that not all the enterprises can uniformly meet the requirements. We count on the fact, therefore, that those

who cannot meet the requirements, who cannot stand the competition because its products are not modern or its activities are not economic in nature will not be able to develop and their difficulties, as a matter of fact, will show up sooner or later in the weaknesses or loss of their development and sharing funds. Up to now they overcame these financial difficulties mostly with central assistance. In this way we did not exert adequate pressure to make the structure economical for the sake of profitable management. We have by now learned that we must eliminate not the symptoms but the causes.

Under our present economic structure the efficiency of many managing units does not meet the compatibility requirements expressed in prices adjusted to the world market. We cannot, however, eliminate these enterprises or make them economical from one day to the next; our financial system is still not fully consistent and grants them many subsidies. The main question, therefore, is whether we shall be able within several years to remove these subsidies, or must we give new ones.

This depends primarily on the consistent behavioral concepts of the guiding organs because this is what can constrain enterprises to put an end to their lag by developing favorable economic processes. Let us add, therefore, that we should first of all condemn not whoever slackens normative requirements by unjustified requests but whoever gives in out of soft-hearted permissiveness.

Of course we know that the transformation will be accompanied by conflicts. There will not only be economic problems but also social problems in the broader sense of the word, for example because of manpower regrouping or movements in consumer prices. It would not be realistic for us to expect these conflicts of interests to be eliminated. Therefore, we must shape such a guidance practice as will take into account these conflicts and clashes of interest, but for their solution seeks a course which promotes economic development: it motivates rather than makes it easy! Where the desire to do exists, financial regulation is not an obstacle, rather it gives time for transformation, and gradually but inevitably moves in the direction of satisfying higher requirements.

We understand that in enterprise management we need firm, permanent rules because this is what makes it possible to think the matter out in the greater interconnections, have a forward-looking business policy, and make well-founded development decisions. But it is in our fundamental interest for enterprise behavior to adjust without delay to changing external and internal circumstances, and it is precisely flexible rules which make it possible for the enterprises to do this. It is a serious dilemma and a constant subject of debate how the stability and flexibility of rules can be realized at once.

I think that we can moderate these contradictions only if we do not interpret stability as final.

We have more systematic ideas now than at the beginning of the 1970's about the fact that the elements of regulation are not uniformly flexible or firm. The most flexible elements of regulation are prices and rates of exchange. From another point of view, we can include credit here. If these actually mediate the value judgments of the changing world, the other elements of regulation in the foreseeable future will be relatively constant: we can define with economic political goals of a more lasting character the extent of taxes, the rules for the formation of funds, the principles of incentive and limitation, and the means linked thereto.

We hope greatly that the appropriate operation of the new price mechanism will create a basis for relatively permanent regulators interpreted in this sense as serving the economic political goals of the Sixth Five-Year Plan.

An important basic principle of financial regulation is profit incentive. The development possibilities of enterprises and cooperatives and the opportunities for increasing personal income vary by ratio of profit. Regulation has often been criticized because it did not permit the undertaking of risks which could have been accompanied in a given year perhaps by temporary declines or even losses.

There are some elements in the regulator modifications introduced in 1980 which make it possible for the enterprises to ward off in their sphere of influence the consequences of fluctuating development. Such possibilities are afforded, for example, by rules for compulsory reserve funds and their utilization, the preventing of price differential reserve funds and wage increases, and the self-financing of temporary losses from resources or credits. Although the modifications improved the earlier situation, we can shape regulation over the long term only gradually in a manner appropriate to a greater role for bolder risk undertaking and enterprise independence. In any event, we would hope to advance in this direction! In some areas--including earnings regulation--the results deriving from the annual accounting period can still have an effect, sometimes unfavorable, on managing. Over the long run we would like to liberalize the application of the compulsory reserve fund for wage management and development goals because such a growth in enterprise independence is a factor in development and stability.

We have already spoken of the excessive centralization of enterprise organization. This does not serve our goals from a financial viewpoint either. Excessively large units--true in most cases--weaken the driving force of financial regulation because they make it possible to level revenues among the units within trusts and big enterprises and thereby restrain the development of units that are capable of more.

Purposely executed organizational amalgamations in recent years have made it easier to carry out supervisory guidance, but the centralization of our organizational system has increased further. This has contributed to the

fact that guidance has guaranteed enterprise stability to an unsound degree even under conditions that are uneconomic. This process has had other harmful effects as well. It can be observed, for example, that the smaller enterprises and the cooperatives refrain from establishing cooperation relations of a continuous nature because they fear it will lead sooner or later to the loss of their independence.

The artificial separation of industrial, foreign trade and research functions gives rise to interests among the enterprises that are in conflict with sound relations and cannot be solved by legal means or by reaching with regulation into enterprise life in a reassuring way. Thus we must further develop the enterprise organizational system. For this, two parallel lines are possible:

--decentralization which increases flexible adjustability where economic advantages do not derive from big organizational forms, on the contrary the cumbersome nature and the bureaucratization of enterprise guidance is accompanied by demonstrable disadvantages,

--the application of new organizational forms, the linking together of production and marketing functions to increase vertical integration.

It is important that the necessary organizational changes are not carried out in campaign style and that in their preparation and execution economic rationalism should not only be a base of reference but truly a criterion for decision making.

Rate of Exchange and Money Purchasing Power

Financial policy is closely related to and in reciprocal action with price policy. At the beginning of the year, the price system changed considerably and we gradually introduced a new price mechanism.

(a) For some time now domestic producer prices for energy and raw materials have reflected to some extent world market price ratios and trends. We needed a change to realize this principle more consistently and firmly.

It is a new feature that in the prices of the processing industry also we wish to give an awareness of the processes taking place in world market prices. Therefore, profits in the processing industry enterprises have developed under the new price system according to how efficient their export marketing might be. We must continue to proceed on the path of realizing world market price relations since with the steps we have now taken we are still far from a consistent realization. To realize a profit which can be calculated on basis of international competitiveness presents for us a requirement which the whole of the Hungarian industry cannot follow. That is why we need the so-called temporary category of production-modernization supports to make it possible for us to bridge this adjustment period. Thus for a time our price mechanism will not only need

to keep pace with the future market price changes but we must gradually also remove the existing differences which have been bridged by supports.

Foreign and domestic prices must continuously at all times be in harmony with each other, not only when price and financial changes are made. Therefore we also had to make the change in domestic prices a function of the change in world market prices. This results in profit realizable when domestic marketing undergoes change according to export efficiency. If export efficiency improves because of a change in export composition, this can be favorable from the viewpoint of the enterprise, but it is not sufficient justification for domestic price change. This is why good market, market organizational, and price work will also be particularly important in foreign trade in the future.

Those enterprises which temporarily use production-modernization supports for structural transformation can raise their domestic prices only when the support has been ended. It is by this method that we compel the enterprises to perform economically also in comparison with the actual world economic environment.

If we succeed in avoiding general excessive earnings by regulation of purchasing power, those management, production and market conditions which the price system is still primarily following and dictating must gradually become the natural order of the economy. It is in this way that enterprises in the buying position will be able to fulfill their control and influence role.

We must see clearly, however, that the practical test of the new producer price system and mainly the price mechanism will take place only hereafter. World market prices have changed considerably even since the calculation of prices which came into effect on 1 January, and according to our principles we must also follow these in our domestic prices in a regulated manner. That unusual mechanism which we have developed for this purpose has lived up to now only in our imaginations. It will be under operational conditions that all those difficulties will become evident which it causes in management, calculation and adjustment, but despite this we must in these coming months step by step proceed on the path we have undertaken.

(b) The economic driving force of the rates of exchange is increased in a price system that builds on the harmonization of internal and external prices. This is an important means in shaping domestic and world market price-level relations with each other, and in protecting against world-scale money deterioration.

We establish commercial rates of exchange by the combined weighing of many different points of view. We must take note of the effect, frequently contradictory, of the rates of exchange on exports, imports and domestic prices. In the CEMA countries a special--although adjusted to the world market--price formation system is being realized. It was according to this that we

had to shape the transferable ruble rate of exchange. In this relation, however, in regard to international agreements and the characteristic of developed price ratios, we had to operate a financial bridge system of a positive and negative sign. But here too we are trying to remove these and stimulate enterprise initiative.

It is desirable that the evaluation of foreign payments means should assist in a realistic orientation to foreign market conditions. Therefore, our rate of exchange policy must be active and flexible:

--it must follow--and without any great delay--the marketing changes taking place on the world money market;

--it must react if the realization of our economic political goals--export increase or import savings--is being obstructed or is not being stimulated by foreign market changes or internal management relations.

We believe that a flexible rate of exchange policy can extend certain protection against world inflationary trends, but not complete or automatic protection. Over the long term, a rate of exchange policy with upward evaluation of the forint cannot prevent a rise in the price level evoked by the worsening of the terms of trade or lag behind the international level in productivity. Therefore, if the competitiveness of our products does not improve adequately at the same time, we cannot prevent the worsening of our foreign trade balance with a rate of exchange policy either, or limit adequately a rise in the domestic price level.

One more observation belongs here. We must also know that with a modification of the rates of exchange we cannot keep the prices of certain products stable, or modify them to the desired level, because by rates of exchange we can only reflect the average of the forint's purchasing power: a rate of exchange policy, therefore, cannot replace price policy.

(c) In our financial affairs we must regard it as our continuous task to see that the buying power of the money is relatively solid. We must, however, count on the fact that the price level--both producer and consumer prices--will continue to rise in the years facing us, for in today's world we can speak only of relative stability. There are various reasons for this. We cannot fully neutralize the lasting trends of world market money deterioration; to do this, we would have to regroup such economic forces as the branches, and the social facilities areas could not bear it. In the future the process of restoring the equilibrium will not be free of greater or lesser internal tensions, or of internal unevenness in supply and demand; these will be solved in part by price movements, and thus price movements cannot be eliminated.

Because in previous decades we were accustomed to essentially unchanged prices, public opinion understandably acknowledges with difficulty the opposite situation and its consequences. An excessive rigidity of domestic

prices, however, would keep the buyers or managing organs or consumers from being appropriately oriented as to actual costs and yields, and thereby it would in the final analysis prevent efforts directed at achieving an economic structure, a good commodity supply, and wide selection.

An appropriate limitation on price increases--primarily of consumer prices--should be promoted with financial means which will not lead to a multiplication of one-time financial interventions or to a rigidity of consumer prices. Nor is it a good method if under the guise of price increase limitations we again assemble big price increase "packages," because it will be an excessively burdensome task for society and financial regulation alike to digest. On the other hand, there is no solution but to accept justified product prices which in certain necessary instances are constantly changing, but sometimes declining as well as rising.

Our regulatory system--primarily in its rate of exchange policy and price control--has certain means and guarantees it can apply for limiting a general price increase. But these means can function successfully only with a very well coordinated price, wage and income policy. This means that the latter should provide a way for the desired price movement by means of economic rationality without lowering the living standard. We must, however, make our way to a "respected money" that takes pride in a solid economic background through proper regulation of the population's purchasing power and placement thereof in the service of its interests. Its main principles in the coming years are the following:

--we must realize a differentiation wages and achievements even if the growth in the living standard is less than before. This is not only a matter of individual work incentive, but of the efficiency of producer work broadly interpreted. Wage payment according to measurable work and systematic cost analyses together can form the basis for continuous efficiency improvement;

--we must strive to maintain the real value of pensions, family allowances and other money social allowances, but in all events we must maintain the real value of small pensions and allowances for families with a large number of children;

--we are counting on the savings of the population to keep increasing in order to satisfy house building and other population credit demands because this is the natural consequence of development and of goods supply. We are also thinking that settlement residents should undertake a greater share in the development of the infrastructure that makes daily life easier.

--in respect to the usefulness of artisan industry, retail trade, household and auxiliary farms, and other supplementary production and services, we are shaping income and tax policy in such a way that the production and the economic points of view will not be damaged, material incentive will be kept intact, and security buttressed from a number of aspects.

Requirements linked to the consolidation of money value specially stress the importance of an appropriate commodity supply of the desired composition. A poor supply will spoil the good effect even of growing incomes, and vice versa if supply is adequate even a smaller income growth will be more bearable. It is a verifiable fact that inadequate supply leads to waste. In such cases, consumption is not rational from the viewpoint of the use of economic resources, industry does not feel compelled to renovate, the old structure becomes rigid, and the incentive effect of wages--because there is no suitable opportunity for spending money--is not realized. Therefore, we are endeavoring to see that the supply available to the population is not only acceptable but also keeps up with demand. A good supply is also very important because we are now setting as our goal the maintenance of the living standard that has been achieved.

State Budget--Tax Policy and Supports

The other interconnected area of financial affairs is the state budget and its managing sphere. Most of the state budget revenues comes from enterprises and cooperatives.

We regard it as an important requirement that the revenues necessary for carrying out central tasks be withheld on the basis of general and unified principles and rules. In simple terms this means, for example, that for every 100 forints of profit every enterprise should uniformly pay 45 forints into the budget rather than have one enterprise pay 20 forints and another 60 forints. With this we will arrive where an enterprise becomes prosperous or poor depending on its own results and not the category it was put into by the central organs.

This also means that the more efficient enterprise management is the more revenues will go into the budget, and the state will be able to do better in common social expenditures for the benefit of the whole society. Of course, it also follows from this that if economy develops unfavorably, the state revenues will not increase either at the same rate as expenditures. This brings on a budget deficit. If we want to avoid this under present circumstances, we should either sensitively moderate state investment and consumption expenses or increase the contribution requirements, or taxes.

In the past year or two the ratio of budgetary investment and support expenditures has been moderated but by no means to the extent that it could result in a balanced budget. It is difficult to reduce further some of the expenditures because, for example, the expenditures for health and education, pensions and family allowances continue to increase automatically even in those periods when we are unable fully to protect their real value. The reason is that the number of pensioners and children keeps increasing, and the income serving as the basis of the pensions is becoming greater, and this is also true of the wages for workers in health and educational institutions and thus of the maintenance costs of these places. The total expenditures for central and council institutions can grow to a lesser

extent than before and at a rate closer to the rate of growth in the national income. This calls for rational savings in the management of every institution. Of course, we must keep basic institutions like hospitals, nurseries and kindergartens operating at an appropriate level, but this can only be carried out together with a structural change in social expenditures or a reduction in the expenditures of other institutions. Therefore, we must review some of our former thinking.

A thought which arises as a way of countering the slight growth of revenues is the increasing of taxes. But this reduces the enterprises' area of mobility, and thus obstructs their development. Obviously, therefore, it is also very important from the viewpoint of budgetary balance that the efficiency of the economic sphere be constantly increasing. The following are the most important principles of the system of income withholding:

--revenues should be distributed between central and decentralized money funds, thus between the state budget and enterprises, in a way that is appropriate to the distribution of tasks as well; the revenues should provide a way for financing the state tasks included in the plans;

--the formation and utilization of enterprise funds--if not in the case of each enterprise, at least in their totality--should be such that the purchasing power for development and personal income will make it possible to finance enterprise tasks;

--the general tax rules should make natural selection possible depending on the enterprise activities. But there is need for a few exceptions because of economic policy priorities and the realization of important priorities--these, however, we should not link, if possible, to an enterprise or branch but to activities or products, for in this way they can be objective in nature.

In the recent past a center of gravity in our budgetary policy has been the area of supports. Because of the inconsistencies of the price system, more than 40 percent of the budgetary expenditures in the mid-1970's consisted of various kinds of supports. Very few enterprises received no subsidy or support, and to have something to give we separately withdraw revenues from enterprises which showed the most outstanding results. It is a serious criticism of our regulatory system that the development of efficiency was not directly and appropriately linked back to the development of purchasing power. That is to say, distributable incomes were created in areas where it was not adequately justified by increased achievements.

A support or withdrawal system like this obstructed the development of an economic structure because it not only made possible the expansion of uneconomic but also limited the scope of operation for economic activities. In this process, on one hand, the uneconomic operation did not compel greater efforts, and on the other hand even the upswing of the ones

developing outstandingly became slack inasmuch as they were unable fully to exploit the possibilities of this climb.

Besides the fact that the price and support system did not provide adequate review over what is economic and what is not, many of the enterprises which may be classified as weak were brought into an unfavorable situation, according to our experiences, by the low efficiency level of their investment activities and by such human factors as low-level leadership, the state of organization in economic work, and the weaknesses of its techniques. Up to this time, the supervisory organs supported the uneconomic activities by referring to interests--actual or imaginary--while the financial organs frequently erred into the swampy ground of unprincipled bargains.

Therefore, we had to reevaluate our support policy. In the future we will not preserve uneconomic activities with supports, and particularly will not provide a way for their expansion. We believe that uneconomic activities must be gradually cut back, and finally eliminated. The new rules include ways of enforcing this. For example, we shall grant the above-mentioned production-modernization supports to conditions that are prior determined, declining in extent, and limited in time.

It is our intention especially to continue studying uneconomic enterprises and to take measures in their affairs. The correction or elimination of uneconomic activities is mainly an enterprise task. In case of financial difficulties, the enterprises in question may receive help only if long-term development thinking--new production structure, market possibilities, reduction of material and energy costs, and so forth--has been done.

Consistent realization of economic requirements results when the development of every enterprise depends on its own work, results thus far, creative bent and the future results of its effects. Thus a good, successful enterprise can develop rapidly while an uneconomic enterprise has no way to develop!

Development Policy and Regulation

While in our financial policy we wish to pull back our forces in the support system area, we are seeking a greater mobility and activity of development finances. Many are inclined to simplify greater activity in finances by identifying the outflow of greater purchasing power and credits with inclination for action. There is no consideration of this. But there is the consideration that the financial organizations are seeking to develop a clearer requirement system for the setting and judging of development goals and more useful degrees of judgment, and those enterprises which are able to meet the requirements and undertake obligations to repay the means they receive, can actually count on supplementary financial sources as well.

(a) In the next medium-term plan period, the material means which can be devoted to investments will be considerable, although under our present endowments the volume and extent of investments can be increased only slowly, and in fact we cannot even increase them between 1980 and 1982. Therefore, it is particularly timely for us to emphasize that production does not need to be raised exclusively with the establishment of new facilities; in fact, different methods can often be more economical.

In many cases, existing fixed assets can be operated more economically with more shifts and better organization, and moreover existing and inadequately used facilities can be transformed with minor additions, modernizations and renovations in such a way that they will substitute for big investments.

In the coming years, we must define the development directions, primarily the main economic political goal, from the viewpoint of equilibrium. But we cannot leave out of account the investments necessary for goals affecting the living standard of the population--housing, hospitals, schools, and the so-called producer infrastructure like the development of transportation, communications, commerce, and water management. The large scale investments of the basic materials industry and energetics can be realized only over a relatively long period of time, frequently 8-10 years, and therefore we must think also of the long-term social and economic development needs. We do not have a finally shaped development program for the period facing us, but the main directions have been outlined.

Naturally accompanying technical development and the rise in the living standard of the population, the satisfaction of energy demand has for long been our biggest investment burden. In the Fifth Five-Year Plan we obligated more than one-third of industrial investment expenditures for this purpose, or more than one-tenth of total investment. In recent years we have built various power plants and carriers of energy sources, and at present our biggest investment is the Paks Atomic Power Works. When we will need additional power works for production goals and the satisfying of consumption needs by the population depends--in addition to our energy import possibilities--on how rational we make our energy management. In the coming period we will need with economic use of energy and raw materials a more resolute approach and superior formats in order perceptibly to reduce the costs of production and the burdens of the foreign trade balance. We must also stimulate and support this more actively in our plans, credit policy, and financial regulation.

We do not have extremely great raw material sources, but it is in our interest to exploit and process economically what we have. But the branches that belong here are very capital intensive. Our metallurgy and our chemical basic material industry is outstandingly developed in quantity. Our next task is a quality change, to see that our processing industry receives materials and semiprocessed products of appropriate quality.

In the next several years, the key question will be the extent to and the rate at which our processing industry can contribute to an improvement of the equilibrium, or whether it can improve export capability not only in the quantitative sense. Here is opportunity for a relatively rapid adjustment to changing market requirements. We may achieve it primarily by increasing the ratio of products that can be manufactured more appropriately to demand, at a higher technical level, and more economically, by better service and supply provisions, essential improvement of market organization activity, and the elimination of products that are not in harmony with the changing demand. In the future we must work out more actively and exploit the possibilities of specialization and cooperation, primarily with the CEMA countries and to the extent possible with the enterprises of capitalist and developing countries as well.

There will be ways to establish and expand processing industry facilities of favorable efficiency that are rapidly recoverable in foreign exchange:

- credit opportunities will remain, in fact be expanded, for the development of products that can be sold on all markets, but the terms will be more stringent;

- enterprises which are developing rapidly, are vigorous and capable of marketing economically may replenish--partly--their variable fund from the reserve fund;

- rapidly developing enterprises whose development fund is strongly tied down with tax payment obligations may receive a basic state allowance for development ideas that can be rapidly recovered;

- we have established a special undertaking fund for activities to expand export introduced with nontraditional international cooperation forms;

- we are preparing the establishment of the Inter-Branch Development Association; it will use the revenues of foreign trade enterprises--according to the perceptions of the interested enterprises--for better market work, expanding market organization, and improving the conditions of product deliveries;

- let us seek for additional methods to promote a favorable transformation, including, for example, the possibilities of establishing new enterprises.

In these tasks, the role and responsibility of the banks will increase, and we expect also they will embrace progressive ideas, and other initiatives.

It is evident that a more modest growth does not mean an overall limitation: in addition to forcing weaker units into the background it calls for a more rapid development of those that show the best and most economic achievement. It is not in our interest to have every enterprise develop at an average

rate, indeed let us stimulate persons, collectives and organizations capable of outstanding and intelligent work for better performance.

There is a great deal of mention nowadays--particularly in the machine industry--of problems stemming from a weakness of the background industry. By this we mean primarily the shortage of structural materials--rolled steel castings, forged units--standardized parts, building elements, and chemical semiprocessed products. As we now know, there are many reasons for this:

--our guidance devoted more attention and our investment plans more money to final products than to the making of parts and component units; in Hungary, even research-development is centered in final products;

--in a constantly strengthening process of concentration in enterprise organization, the number of small and medium-sized operations suitable for cooperation has declined;

--the slackness of contractual discipline among the enterprises aided efforts at self-sufficiency and hindered cooperation ties.

We have already started to solve the problem of the background industry, but there are still some question marks. Actually, we are still debating whether we are even correctly interpreting the problem of the background industry. Every enterprise, and in fact every industrial branch, has a background industry, the basic material industry also buys machinery, energy, and so forth. But from the economic point of view, almost the entire industry may be regarded as the background to some branch. Thus the question rises whether we are dealing with a characteristic, special background industry problem. It is possible that we can permanently overcome also these problems if by discovering and solving the causes of the general equilibrium disturbances, and thereby generally correct the conditions of the relations among the enterprises. In addition, in this area, too, we must better exploit the possibilities of international work distribution.

It is well known that--as before--we have adjusted prices for agricultural products overwhelmingly to domestic conditions, but in the price ratios--with official prices--we are also trying more and more to express the ratios of export economy. This may also help agricultural development, for the most part directly, restore the equilibrium. Let us consider the fact that in the case of 10 to 12 mass products the price attainable on the world market--for example, the quality judgment--orients producer cooperation more directly. This is particularly true if our food industry processes agricultural products more and more economically in greater ratio. In addition to grain, oleaginous seeds and fruit, meat must have an appropriate role in exports of the food economy. The volume must be gradually increased of commodities exportable as more highly processed food industry products, strongly improving of course the domestic ratios of production and processing, the costs and the combined economy factors.

From the support point of view, agriculture is in a characteristic situation because of price formation: we must not put an equal sign between larger farms that produce uneconomically and those with unfavorable producer site endowments. There are unfavorably endowed farms which are managing successfully, and others which are managing poorly on excellent land. We wish to develop further the support of unfavorably endowed farms in such a way that they will be given method and support for the further development of industrial products and services which are profitable and of a range appropriate to demands; or that within several years they will reach a condition where the situation and future of every farm will be based on its own work and the exploitation of conditions most advantageous for itself.

(b) We devote almost one-half of investment expenditures to the combined producer and nonproducer infrastructure, to the energy mass 10 percent, and only the remaining approximate 40 percent to flexible and rapidly convertible investments which increase export achievement capability. But no matter how we change these ratios, the investments of any one sector cannot be multiplied suddenly. Therefore, the proper determination of the ratio of investments is only one condition for the investments which will actually serve our economic political goals. The other condition is that investment activity should be efficient. The efficiency of an investment depends, in addition to correct decisions, on many circumstances.

It depends on how the investment was prepared, how the implementers and suppliers organize the work, how long implementation takes, whether the technical level of the facility and the products it manufactures is acceptable by international standards, how the investor operates the facility, and what kind of market organizational work accompanies the operation, etc.

If we study investment activity from the viewpoint of these questions, we can mention many good and many bad examples. In general, unfortunately, the poor examples are in the majority. In Hungary, as compared to other countries, investments generally cost a lot, implementation time is long as well as running-in time, and in the final analysis the yield of the investments is slight. This is a well-known matter!

Now today it is clear: these difficulties in investment activity have been caused primarily by the fact that we could not keep the outflow of purchasing power in the proper channel. Therefore, in the future the economic plan must prescribe the development ideas more in accordance with moderation as well as the purchasing power necessary thereto: but also during the execution of the plan it must restrict more than up to now the outflow of additional purchasing power, and the banks must also help.

In judging the economy of investments, a well-known dilemma is the contradiction of the present and the future. In response to changing circumstances, it frequently happens that what appeared economic for five years

is now backward and uneconomic. On the other hand, it also frequently happens that an obsoletely equipped enterprise producing obsolete products may work out a concept by the execution of which it is elevated among the very best. Hence the economy of today and the future does not stem without fail from each other. The mission of credit is precisely to bridge this--to pay in advance for future economy. Moreover, let us also abide by the fact that credit is available for 70 percent of investments, and thus we must rely on our own strength for 30 percent. The explanation of this is, on one hand, that investment forces must also be concentrated in the enterprise sphere. On the other hand, we can also proceed from the point of view that an enterprise which has "proved" itself today will also hold its place "tomorrow." The formation of self-owned funds creates the possibilities for enterprise selection on the basis of success, and there is a deep meaning of this kind of selection.

In recent years we have taken certain steps for a more vigorous realization of economy requirements. Among other things, the study of long-term efficiency was promoted by the fact that we developed a system of thinking which includes technical and economic criteria. These criteria include those general requirements which must be studied and evaluated in choosing among different development paths; for example, what is the technical level of the production, what are our market positions and the expected price trends, what is the production and infrastructural background, the basic material and energy basis, the capital requirement, the manpower demand, what are the manufacturing traditions, the development time requirement and the environmental disadvantages. The criterion system is our means to help us recognize an economy which is apparently attainable in the future and which we must perfect on the basis of practical experiences. We must use this method not only in the planning and realization of investments but also in the operation of fixed assets. But we must bring up to date the picture we have formed of economy--by continuous modernization of information and accounting--in order that in our entire economic activity we should adjust in a live way to the new value system.

In the foregoing I have tried to express that the financial system--relying on its regulatory, incentive, limiting and controlling role--participates, and can do so, in the realization of our economic political goals. In the coming period we must help in particular to create external equilibrium in harmony with efficiency and economy requirements. From this point of view, the 1979 results are reassuring. We had to overcome new difficulties in foreign economic relations, we produced considerably less grain than we had counted on, and still the imbalance was reduced by more than we had planned on. Export increased more rapidly and import more slowly. This means that the transformation in a more favorable direction has begun. We believe we are capable of strengthening and accelerating this positive process, and thereby restoring the equilibrium.

The financial regulation worked out with the reform of the guidance system has changed a great deal during its 10-year past. The thinking of those

who participated in shaping the regulators also changed a great deal and of those who perform their work by considering the regulators. We learned to recognize in this period many interrelationships in guidance which we had not reckoned with, and could not have reckoned with, in shaping the regulators. But enterprise, cooperative and institutional leaders also became accustomed only gradually to the new management circumstances; and consciousness, thus their attitudes, are transformed by the regulators only gradually.

Moreover, we must reevaluate a concept which has become strongly inured in social thinking as well as in professional opinion. Here, for example, belongs a sphere of thinking like "what is an acceptable rate of economic growth?", "must every enterprise develop, or not?" and the delicate question of "foreign exchange and price stability." When we look for answers to these questions we always see before our eyes the substantive requirements of greater economic achievements, new requirements and qualities, which also characterize the economic plans worked out in recent times.

We have also learned that we must find answers to these questions that are always new, because the will to further develop and improve spurs us, but we are also spurred by the changing world. We speak a great deal of changes in external conditions, but let us not forget that even independently of these we are in a development phase of socialist building where in every area the time and demand for quality changes has come. And in order to give good and acceptable answers to the new and more complicated questions, we must think together, debate, with every social class if we must, as we are also together in the everyday experiences of building work!

The support of socio-political organizations, bodies, activists has meant and still means a highly esteemed progress value; if they recognize these progressive efforts as primary they will support and build on those who advance our common affairs.

6691

CSO: 2500

HUNGARY

STATEMENTS MADE BY HUNGARIAN, INDIAN BANK PRESIDENTS

AU051844 Budapest MAGYAR HIRLAP in Hungarian 1 May 80 p 7

["B.M.E." Report: "Statements by Matyas Timar and I. G. Patel; Hungarian-Indian Relations"]

[Text] Indian Central Bank Governor I. G. Patel paid a visit to Budapest between 27 April and 1 May at the invitation of Hungarian National Bank President Matyas Timar.

Hungarian National Bank President Matyas Timar has said the following about the talks between the two leading bank experts:

"We have informed each other about topical economic matters of the two countries, the international financial situation and measures implemented in India and Hungary respectively to improve the equilibrium following the increase of oil and raw materials prices."

Matyas Timar, speaking about bilateral bank relations, said that there was a smooth transition from a clearing settlement of accounts to a free currency settlement. As is known, the settlement in clearing rupees was terminated on 1 January 1978. The development of more direct Hungarian-Indian bank relations was discussed in view of the fact that both countries' settlement of trade accounts is being transacted in London.

Assessing his talks in Hungary, Indian Central Bank Governor I. G. Patel said:

"During my brief stay I had talks with Matyas Timar; Peter Veress, deputy minister of foreign trade, Jozsef Marjai, deputy premier, and Attila Madarasi, secretary of state for financial affairs. The consultations with Hungarian leaders have convinced me that we are thinking alike with regard to a great many economic questions. This makes it worth noting that the Hungarian-Indian foreign trade turnover is very low despite our common views and the warm and friendly relations between the two countries.

"In the approximately \$10 billion Hungarian and \$9 billion Indian foreign trade turnover, the barely \$45 million mutual trade between the two countries is unjustifiably low. Economic cooperation has declined in recent years. I regard the fact that there are few enterprise-level

contacts as one of the reasons for this. Perhaps it follows from this that technical experts are unfamiliar with each other's products, do not have faith in being able to buy the suitable good-quality products from each other and turn rather to their traditional, primarily West European, partners. Only experience can convince them of the opposite.

"In my opinion, the third reason is that, although we have terminated the clearing settlement of accounts, we are still keeping it in mind in both countries, to preclude that the other country exports or imports more, and through this the balance develops on the lowest possible level."

CS0: 2500

NEW REGULATIONS DESIGNED FOR ECONOMY IN PACKAGING

Bucharest REVISTA ECONOMICA in Romanian No 9, 29 Feb 80 pp 11-12

[Article by Vasile Panescu: "The Rational Use of Packaging"]

[Text] The documents of the 12th Party Congress call for a group of measures that endorse the highly efficient use of all material resources, including the rational and judicious use of packaging and materials for packaging. The dimensions of this problem, involving the volume of packaging and materials for packaging used, which represents many billions of lei annually, fully justifies the measures established for the better management of packaging. As is known in this regard, the Decree regarding the recovery and use of reusable material resources and the use and distribution of packaging also establishes the unified legislative framework in the area of the use and movement in transportation of the different categories of packaging in the economy.

From the very beginning, it is important to specify several principles and fundamental directives that are established in the new normative act with regards to the production and use of packaging:

a) each category of packaging must be strictly adapted to the specific nature of the goods that are to be transported so that, while ensuring the preservation of product quality and integrity, as well as the protection of the product, the packaging can be made with a minimum of material consumption, it can eliminate the use of scarce resources and imported resources, and it permits the application of modern transportation and handling technologies and the reduction of use costs;

b) in the introduction of any new type of packaging into the economy it is obligatory to respect the approved norms for categories and to ensure increased economic efficiency in comparison to previous solutions, which must be reflected in a reduction in production and use costs;

c) packaging that is used over again, such as crates, containers, barrels, bottles, jars and others, will be treated according to the means established for transport vehicles, being subjected to certain rigorous use and handling regulations, as established by standards and rules.

There must be special stress on the new regulation referring to the obligatory establishment of a standard period of service and the minimum number of use cycles for the lifetime of each type of packaging. Currently, there are frequent cases where, for example, shipping crates for the transport of bottled liquids deteriorate over a period of 10 to 15 months because of negligent handling and storage, a period of time where only six to seven shipping cycles are completed due to the systematic failure to pursue the correct means of using the crates. As a result of the new regulation, for this type of transportation packaging, the standards will call for a minimum of 80 cycles of use and a standard period of service of 36 to 40 months. From an economic point of view, this means that instead of the five or six shipping crates that would be used up during the mentioned timeframe, in the future a single crate will be consumed. In addition, it establishes the obligation to extend the period of use by ensuring that the user maintains and systematically repairs packaging involved in repeated use. Both economic production units and commercial units are required, after the packaging has met the standard timeframe and number of use cycles, to:

- continue to use the packaging that meets functional standards;
- organize and ensure the repair of deteriorated packaging, returning them to use in the economy;
- use as old raw materials those packaging materials that have met the requirements for timeframe and number of use cycles and that have deteriorated and can no longer be repaired under conditions of economic efficiency.

In the spirit of these provisions, it is urgently required that the economic units that receive goods in reusable packaging organize work teams equipped with simple and low cost implements for the maintenance and repair of these resources and ensure through all means the extension of the lifetime of these resources. In this manner, new packaging can be annually saved in the value of 200 to 300 million lei.

It is in itself understood that the implementation of the above-mentioned provisions involves the organization of simple, but precise records that can ensure the rigorous control both of the number of use cycles for each group of transport packaging and of the total timeframe of use. This makes necessary, among other things, a simple and easily identifiable system of marking shipping packaging that can be used by the supplier of the goods and the customer.

Another measure designed to contribute to the saving of certain important monetary and material resources is the reintroduction into circulation of certain important stocks of packaging materials that are not moving or are moving slowly, especially those made of wood that exist in the ICVA storage depots in each county and that are unjustifiably immobilizing large quantities of wood materials, and especially the recirculation of jars and bottles. This is even more important since each year new packaging in these categories is produced with a value of several hundreds of millions of lei.

Similarly, this requires pointing out the regulations that clearly establish the way to use and distribute glass packaging to be used for consumer goods. The economic importance of the intensive recirculation of this category of packaging is found in the fact that over 75 percent of the required amount is procured through this means and the value of the new packaging saved is approximately two billion lei annually.

The instituted system establishes the regulation of the direct circulation of packaged goods or, more exactly, of empty packaging in the relationship between the producer and the retail store. In this way, on one hand the intermediary links that lead to an increase in the time goods spend in stock, both for goods and empty packaging, are eliminated and on the other hand it leads to a rational loading of transport vehicles which, in bringing the goods to the stores, have the obligation of carrying and then returning to the enterprises the empty containers collected by the commercial units.

In the case of goods that are delivered in large quantities, cisterns, barrels, containers and other such means, they can be forwarded either directly to the stores that are capable of bottling, repackaging or, as the case may be, dividing them into lots, or to storage depots in the commercial centers that are required to carry out these operations. It should be stressed

that in this case the packaging run through a short circuit, on the condition of completing a high number of cycles, since the movement of the packaging over long distances, with increased costs and reduced efficiency, is eliminated. For the proper operation of this work system it is necessary that each wholesale enterprise for food stuffs ensure that its collectives organized to handle transportation problems complete and adhere to their transport schedules for goods and packaging, and schedule transportation for suppliers and stores, both for state trade units and consumer cooperatives. Special care must be given to the establishment of transportation routes in cases where the same truck services a number of stores, thus avoiding crisscross routing.

With regards to relations with the public, it must be stated that it is mandatory for all commercial units handling food stuffs to accept empty glass containers from the public and to ensure their reintroduction into the economic circuit. In cases where the citizens buy packaged goods and return empty containers, they only pay the price of the item. If the purchaser does not return an empty container, he pays a deposit, which will be refunded to him by any similar store when he returns the container.

It is important to know that the work done by the personnel in the stores in handling packaging containers will be taken into consideration in the establishment and calculation of the work standards for these personnel, in other words, they are paid for this work. The refusal to accept empty containers constitutes an infraction and is punished, in accordance with the provisions of the law, with a fine of from 2,000 lei to 4,000 lei. The elimination of intermediary ICVA units, which are concerned only for packaging and which frequently do not accept empty bottles and jars from the public, claiming a shortage of money or space, will bring about a noticeable increase in the economic effectiveness and efficiency of recycling goods.

One frequently encountered phenomenon is the superstructure of certain categories of packaging, especially crates made of wood to hold jars and bottles. The existing stocks of these items, which to a great degree sit idle, reach several million in number. In order to eliminate such a shortcoming, the new regulations call for the mandatory establishment of inventory norms for packaging and the determination, through the plan and distribution, of the quantities of packaging that are procured through recycling, with allocations of new packaging being made only if those in use have completed the number of cycles and timeframe of use.

In order to increase the efficiency of using packaging and packaging materials, it is necessary, in accordance with the provisions of the Decree, for the ministries, centrals and enterprises to specify solutions and measures in special programs to extend the use of efficient types of packaging, to produce new types of packaging with reduced specific consumption of materials and to use highly effective technology in packaging, handling and transporting.

8724

CSO: 2700

ROMANIA

CONSIDERATIONS INVOLVED IN INDUSTRIAL ENERGY CONSERVATION

Bucharest REVISTA ECONOMICA in Romanian No 9, 29 Feb 80 pp 18-19

[Article by Titus Berinde: "Organizational Aspects of the Problem of Industrial Energy"]

[Text] In carrying out the objectives and cardinal directives in the field of providing and managing energy resources of all types, as outlined in the documents of the 12th Party Congress, applying a strict program for conserving fuels and energy, increasing the level of use of secondary resources, and ensuring the country's energy independence by the end of the next decade, a decisive role is played by industrial energy. The framework for applying this is identified with those areas in the branches of the economy where energy resources are preponderantly used and consumed in industrial processes, transportation and the production of electricity and thermal agents necessary for technological and space heating.

The Cheapest Resource: Conservation

In current economic thought it is becoming a postulate that conservation is the most available, surest and cheapest possible resource. Among its components are, first of all: a) the modernization of installations and technologies, b) the introduction of modern technologies for the advanced use of secondary energy resources generated by industrial processes, (c) the regulation and optimum use of resource consuming technologies and so forth.

In this regard, it is known that, even back in 1973, the bases were laid for a normative framework in accordance with which the central reporting organs (the Ministry of Technical-Material Supply and the Control of the Management of Fixed Assets, the State Planning Committee and the National Council of Science and Technology), together with the economic ministries, drew up a minimal program-framework of measures and actions calling

for the more accentuated reduction in the consumption of energy resources. The rich content of ideas and proposals in this specifically defined and localized program led to important savings through its application.

What we are suggesting here is not to confront the provisions of this program and those of existing normative acts with the overall results obtained, but to reflect some of the aspects regarding the degree of agreement between certain well-inspired measures in these regulations and the conditions of an organizational nature for implementing their provisions.

First of all in this line of thinking, let us remember the fact that activities to improve "open" programs of measures and actions to conserve energy resources in enterprises constitute planning and specialized activities which require the prior elaboration of technical analyses based on measurements and surveys of power equipment and installations, studies of technical solutions, studies to establish the economic efficiency of proposed measures and so forth.

We feel that in the vast majority of enterprises the current organizational structure of the mechano-energy compartments does not respond to these regulations and activities. For example, only approximately 20 percent of the enterprises in the region where I work^{*} carry out their own energy surveys. Another 40 percent carry out the necessary surveys, studies on the better use of secondary energy resources and so forth with the help of personnel in the energy field from institutes of higher technical learning, as well as from institutes of study, research and design, local departments and local offices. The remaining 40 percent of the total number of enterprises (the vast majority belonging to the Ministry of Mines, Petroleum and Geology, the Ministry of Forestry Economy and Construction Materials, the Ministry of Agriculture and the Food Industry, and the people's councils) are delaying the

^{*}Editor's Note: Engineer T. Berinde, considered a specialist in the field and the author of "Industrial Energy," is the deputy chief inspector of the Cluj Territorial Inspectorate of the Ministry of Technical-Material Supply and the Control of the Management of Fixed Assets. His area of activity covers Cluj, Bistrita and Salaj counties.

completion and updating of energy surveys, due principally to the fact that they do not have the competent and specialized personnel to accomplish design activities in this field. I can mention that at the local level the institutes for studies, research and design, as well as the specialized departments in the technical institutes of higher learning, are completely occupied with requests for the elaboration and updating of surveys.

I feel that the intensification of actions for the conservation of energy resources, that is, the establishment of new measures on the basis of analyses of resource consumption surveys on power equipment, installations and processes, would be possible through bringing the territorial offices of economic-social organization into this action. These offices in the past, when they had approval to contract for energy studies and surveys, carried out (in the region) the best energy surveys at the lowest prices (approximately one-fourth to one-fifth that of the specialized departments in the institutes of higher learning or one-half to one-third that outlined in the contracts concluded with the research and design institutes).

Exacting Management Begins With Staying Within Consumption Norms

In the vast majority of the enterprises (with the exception of the large combines and enterprises), the complex and multiple activities in the area of industrial energy - with some of them corresponding to the permanent systems for using and maintaining resource consuming power equipment and installations (boilers, furnaces, compressor stations, pump stations and so forth) and others having an intermittent nature (for example, 10 day and daily reviews of staying within consumption norms and assigned resource quotas, following up on the application of conservation measures programs, modernizing power equipment and installations, and regulating and optimizing processes) - are similarly insufficiently kept within parameters. Not infrequently, in small enterprises they are entrusted to a foreman and in medium-sized enterprises they are handled by a single technician or engineer functionally subordinate to the chief mechanic.

The functional dependency of the person responsible for energy problems and the energy units upon the chief mechanic dilutes the content of the tasks and responsibilities and

affects the effectiveness required for the solution of major problems, for example, the drawing up of solutions for the better use of secondary energy resources and the application of measures recorded in the programs for staying within norms, quotas and, in some situations, restricted levels requested by the suppliers of resources.

Within the context of the importance attributed, generally, to the problem of exactly managing energy, combined with the need for competent and efficient solutions for the complete use of secondary resources, I feel that a reconsideration is necessary in the scheme of organizing the enterprise and the place and position of "the person responsible for energy problems" or "the energy units." That is, it would be desirable for overall energy activities to be directly subordinate to the technical management of the enterprise.

The Reorganization of Energy Activities

In reconsidering the organization of energy activities in the enterprises, principally stimulated by the need to cover the concept framework of carrying out surveys and drawing up solutions for the modernization of resource consuming power equipment and installations, for the increase in their efficiency and for the advanced use of secondary energy resources, we feel that it must also be resolved at the level of the national economy through the creation - or through the development of an existing institute, for example, ICEMENERG - of a specialized unit for industrial energy problems.

Among the themes that this problem should cover and resolve on a priority basis, we can point out:

-- the updating and completion of technical formulas that form the documentary basis in the field of industrial energy, such as guidance or methodologies for: the selection of the optimum variant for the supply of industrial consumers with energy resources on the basis of establishing the economic efficiency of solutions that are examined; the standardization of specific energy consumption rates; the completion and analysis of energy surveys and the optimization of resource consumption according to the types of installations, power equipment and processes, and so forth.

Such an improvement of technical normative documentation in this field is needed, first of all, because of the nearly total lack of documentation in the enterprises (the older normative copies are worn or used up, if not also ethically used in outdated solutions contained in the documentation) and of the need to have efficiency calculations on the technical solutions that serve as the bases of proposals for modernization and conservation measures, in accordance with current fuel prices and, especially, in accordance with the current criteria formulas for establishing economic efficiency (those used currently in the majority of the enterprises and even the design institutes are 10 years old and no longer appropriate);

-- the study of solutions for implementing modern techniques in enterprise energy management for the advanced use of secondary energy resources, for example: heat pumps, interior recovery furnaces (with interior walls of porous refractory brick), recuperators with heat tubes, rotating recuperators and so forth.

As far as I know, currently, with the exception of two heat pumps (prototypes installed in balneary spas) and two furnaces with porous walls (at mechanized agriculture units), such modern equipment is lacking not only at enterprises, but also, several months ago, at the testing stands in the specialized institutes (ICEMENBERG, INCERC and so forth) within whose framework they should be designed and tested;

-- the elaboration of studies with solutions for the advanced use of secondary energy resources generated by types of power equipment, technological lines and processes.

Certainly, this desire has been long expressed. The increase in the degree of use of secondary energy resources in the area, we feel, is at best slow and, in any case, below the level of requirements and needs. For example, despite the fact that last year 70 recuperators were installed on various industrial furnaces, in Cluj County the level of use of secondary energy resources increased only eight percent, from 55 percent in 1978 to 63 percent in 1979. The difficulties encountered in this field, in our opinion, are caused by: the inertia expressed by some departmental design institutes working on solutions for the use of secondary energy resources (at the Refractory Materials and Binders Combine, the "Electrocaramica" in Turda and so forth; the lack of a special production enterprise in our

industry to produce satisfactory types of and quality in equipment for the use of secondary energy resources; the lack of an organized system of contacts, on the basis of which the design efforts of the energy specialists in the enterprises to solve the recovery of secondary energy resources can have the highly qualified support of the specialized design institutes (a situation we can identify as one of the causes of the fact that the recuperators produced do not ensure the advanced use of the secondary energy resources that are generated);

-- the scientific establishment of energy consumption norms.

The experience of 1979 showed that in the mentioned region 20 to 30 percent of the energy consumption norms that were established and sent to the enterprises were exceeded while 70 to 80 percent resulted in savings.

In a scientific view of approaching the problem of establishing standards, the satisfactorily applied methods used to date must give way to analytical and experimental methods which encompass the profound investigation of processes and technologies.

Since in the vast majority of industrial products, in addition to the consumption of energy resources which are a part of a certain technologic or production process, raw materials, auxiliary materials, recycled materials are used that themselves involved the consumption of resources (for extraction, processing, transportation and so forth), we feel it would be timely and useful for the basic products of the economy, the energy intensive products and those produced with technologies using different energy resources (fuels, electricity) to be studied and integrated energy consumption norms be established for the item produced and the process used (and which expresses, in tcc/unit of product the total integrated consumption of resources of all types: fuels, electricity, thermal energy, compressed air and so forth).

In the view of such an approach to the problem of establishing norms, from the energy content point of view the options could be better substantiated for the production and processing of certain products with certain technologies (for example: abrasive products, cement, non-metallic products, soda and so forth).

Increasing Professional Competence

Returning to one of the above proposals: certainly, the development of design activities in the vast field of energy problems in industry, either through the creation of its own specialized institute or through the expansion of these activities within the framework of existing institutes, requires, with regards to efficiency and specialization by types of themes and problems, a decentralization of research offices and groups in industrial centrals and branch platforms.

This idea could be exemplified by the proposal to create such a group for the implementation of high capacity heat pumps (operating on butane) at one of the existing petrochemical platforms for the purpose of use secondary energy resources (the heat of factory waters). The petrochemical platform has the optimum conditions for such an idea since it has at the same time secondary energy resources generated in significant quantities and opportunities for their use in its own processes and, what is more important and essential, it has its own practice and experience in servicing the key equipment of the heat pump, the compressors operating on petroleum gases (butane).

The need to solve the cardinal problems of industrial energy appears not only in the design field, but also in other directions and fields, such as supply, as well as raising the level of professional competence in the personnel servicing energy consuming installations and power equipment at all levels.

Let us specify. In the area of regulating and optimizing the burning processes in power equipment using a direct flame (boilers and furnaces), because of the lack of gas analysis devices (for example, the Orsat device whose price is approximately 2,000 lei) there are losses, irregularities in the burning processes and operations at levels far from the optimum. In my region, the Orsat device covers only one-third of the number needed. Therefore, we need the production of the "Orsat" device in the necessary amounts so that not a single industrial unit or thermal power central is without one.

The precise organization of professional training at all levels and stages for the personnel who design, assemble and use energy consuming installations and power equipment

is, similarly, justified by a series of undesired realities. For example, the CSD hot and warm water boilers (of three and five Gcal/h) operating on liquid fuel that have been built for over 10 years still do not operate at the designed and approved parameters. Certainly, the causes are many, owing both to the design concept and assembly solutions and to some incompetent use. In the matter of regulating and optimizing, professional competence leaves its visible imprint in the area of energy economy, with the fact being known that a variation of one degree in temperature in an undesired direction (in cooling and heating installations and so forth) brings about an additional consumption of three to four percent of primary resources. In order to avoid such abuses, frequently it is necessary to only understand, and well, the operation of... thermometers.

Clearly, the finding of certain solutions for moral stimulations and direct personal interest will also introduce mobilizing factors of a nature to inspire great qualitative advances in conserving energy resources.

The exposure of these aspects was designed to reflect some realities and options facing industrial energy which, from the beginning of the energy crisis in the world, has gained a reconsidered position in all the countries with an advanced economy.

8724
CSO: 2700

KIRO GLIGOROV DISCUSSES ECONOMIC PROBLEMS

Belgrade RAD in Serbo-Croatian No 17-18, 25 Apr 80 pp 6-8

[Interview with Kiro Gligorov, member of the Council of the Federation and of the LCY Central Committee, by Zoja Jovanov: "Development Depends Mostly on Us Ourselves"; date and place not given]

[Text] We are on the threshold of a medium-term planning period in which many things are to change in the earning and distribution of socially owned assets. This is indicated by the very title of the draft of the document concerning development over the next 5 years: Agreement on the Bases of the Yugoslav Social Plan on Mutual Adjustment and Guidance of Flows in Social Reproduction. This agreement is to set forth the economic policy measures to ensure greater stability of the economy, to overcome structural disproportions in its development, to improve the country's balance of payments, to ensure a growth of employment and the standard of living, and to achieve a higher technological level of the economy. Debates about the growth of the social product of the entire economy have hit upon a rate of 5 percent, within which industrial output would grow at 5.8 percent and agricultural output at an annual rate of 3.5 percent. The plan, then, is more modest than in the previous 5-year period, but the debate is still going on as to whether it is realistic or not.

This year, as the foundation for development in the next 5 years, has not begun brilliantly, and the only thing that is certain in developments in the world economy is its uncertainty. Nevertheless, there is reason to expect that the agreement will speed up elimination of the sources of that instability. Kiro Gligorov, member of the LCY Central Committee and of the Council of the Federation, spoke to us about where those sources are, how they are to be overcome, and what is to be done so that the economy develops with greater stability.

Question: How realistically can one forecast future development in view of the present unstable situation in the economy?

Answer: Regardless of how we evaluate the results in the period just past, any planning of development in a future medium-term period is full of uncertainties and limiting factors. Beginning with the economic and political crisis in the world and extending to our domestic weaknesses because of inflation, excessive spending and the deficit in the balance of payments. However, I feel that the realism of that plan depends mostly on us ourselves, on our realistic assessment of the potential for development, on our selection of the directions of development and on straightening out the present situation in the economy. But economic instability is a consequence of many years of sluggishness in introducing precisely those qualitative changes which would guarantee more stable development of the economy over the long run.

Question: What are the socioeconomic changes agreed on which have not been adequately implemented in practice?

Answer: All those which have the result that today the worker does not have a sufficient economic incentive to work more productively and to conduct economic activity more optimally. These are the reasons why changes are necessary in economic policy and why those attributes need to be developed throughout our system which in future will stimulate developing, affording much greater significance to economic incentives in the conduct of economic activity. To awaken more thoroughly, then, the incentives of the workers in the effort toward more income, larger output, the pooling of labor and capital....

Question: Should the slow adoption of relations based on shared income be seen as what is holding back motivation for more effective economic activity?

Answer: Inconsistent application of the laws embodying the system is a consequence of the neglect of economic laws and the major impact they have on the behavior of producers and of all factors in society. After all, the development of self-management and establishment of relations within associated labor on the principle of income depends on the extent to which the workers are economically motivated to develop production and to augment income. In spite of the proclamations made over many years, this incentive has weakened. It does not have the weight which it ought to have as a driving force motivating the workers to achieve better performance and greater influence in society.

Question: These are obviously consequences. And the causes?

Answer: I think that quite a bit of subjectivism has been injected into the creation of the economic system and into the assessment of the possibility for the subjective factor to influence economic development. There

has been too much voluntarism in defining the goals of development. It seems to have become a habit, whether at the level of the OOUR (basic organization of associated labor) or the sociopolitical community, to agree that we want such and such, but without a realistic evaluation of the economic situation and of what must determine the extreme limit of any agreement: the income available.

Question: Should we look for the causes in the shortcuts which have been taken in applying the Law on Associated Labor? For instance, a beginning was made with distribution, but as to the earning of income it is just beginning to be talked about. Isn't it true that the order followed is devoid of a great deal of economic logic?

Answer: Yes, and the reason is that we have not been acting in the spirit of economic laws, that we have allowed the conditions for economic activity to be excessively subject to administrative regulation.

Often the workers are in a dilemma as to whether the income indicated is a true expression of their work or is the result of higher prices, of a monopoly on the market, of a better position with respect to the rights to foreign exchange and various other benefits. On the whole the siphoning of income from one organization of associated labor to another has taken on such proportions that it is difficult to ascertain the real contribution of each collective to the growth of the gross social product. But that is what concerns the workers above all.

Question: Nevertheless, the conditions for earning income are, for example, left to administrative resolution by what one might call the will of the workers....

Answer: As soon as economic incentives are neglected in the conduct of economic activity and criteria concerning the contribution of the individual organization of associated labor to the growth of the social product are lost--working collectives inevitably turn to those who create such conditions for the conduct of economic activity, make concessions to shortcomings in the work of OOUR's and the like. If administrative interventions are not reduced to what they should be in the conventional function of the government--to exert an impact on the conditions for business operation solely through general economic measures--then it is certain that a new wave is to be expected after each set of measures. And when once the process of government interventions begins on our market or the foreign market, justified by the excuse of the problematical situation of the moment, then it is difficult to put a stop to it.

Question: Can you give an example of this kind of succession of measures?

Answer: Depreciation is a clear example. It is obvious that inflation has in recent years detracted considerably in nominal terms from the value of the fixed capital of organizations of associated labor and indeed of working capital. It is a consequence of that that a portion of the value of

the capital invested in every organization passes off into income. Spending in all its forms has increased out of that augmented income. Since this exceeds the capability of the income actually available--certain measures are indispensable. And instead of the dinar previously invested in some organization being protected against inflation and augmented to the present value of the currency, it is "made thinner." The administrative measures contribute greatly to that process. In any case, were we to reestablish the real value of the dinar and the influence of invested capital at its actual value on production cost, there would be less income for distribution, and the economy would be protected. It would be less depreciation funds, and that would improve its accumulative and reproductive capability. Moreover, a smaller amount would go for taxes and contributions from that smaller income.

Question: This year different measures have begun to be used to promote stabilization....

Answer: In essence "to take the burden" off the economy by putting a limit on the growth of personal incomes, expenditures for official travel, entertainment, advertising, and the like comes under the heading of administrative methods. Not only do they fail to have economic results, since income remains the same, but they make relations in its distribution still more complicated. Whenever distribution of income is regulated administratively, as a rule it diverts attention from solving the essential problem of stabilization. All those who are ready to adopt administrative measures should be oriented more toward economic logic and economic instruments for exerting influence on associated labor. Then we would be in an area where associated labor could easily see all its economic and self-management opportunities, the full extent of the economic necessity of entering into association, rather than waiting until someone "from above" straightens out the situation on the market.

Question: At times administrative measures are effective....

Answer: You know, I doubt the effectiveness of administrative measures even in the short run, but particularly over the long run. This does not mean that some of these measures did not provide a worthwhile "respite" in construction of the system of relations based on shared income, but only until such time that more effective and more long-term solutions are found. However, it became established practice to immediately proclaim this collection of administrative measures to be stabilization programs. Moreover, in order to popularize and implement these measures, which incidentally were unpopular, we enlist the subjective factor, whose prestige would be more worthwhile if used to strengthen economic incentives for the conduct of economic activity, by which the workers would be guided when they want to change something in their own OOUR's. That is something administrative measures cannot do.

Question: By what radical changes, then, is it possible to achieve a more lasting stability of the economy--in the socioeconomic sense?

Answer: I feel that above all there must be a deep restructuring of present relations in the formation and distribution of the total value created. We must have a realistic unit of measurement, some yardstick by which relations in distribution could be applied to a common denominator. If we had the same unit of measurement for judging productivity, income, and the competitiveness of every OOUR, then certainly the pooling of labor and capital would become more widespread, and it perhaps constitutes our greatest potential for development. But a realistic rate of exchange of the dinar has to be established for that purpose.

Question: Is that enough?

Answer: The mere setting of a realistic rate of exchange of the dinar will not put everything in its place. So as not to cause serious economic, structural and social problems, the restructuring of relations in the economy necessitates not only a purely economic approach, but an approach to the alteration of relations which is simultaneously socioeconomic, social and political. By means of economic establishment of the value of the dinar created, then, a determination should be made of the real basis for the entire restructuring of relations. When this is done, I think that the talks will take a different line concerning many issues which are now of concern to the workers.

Question: What does that mean in concrete terms?

Answer: Up to now what has essentially concerned us was above all the kind of growth rate we would achieve, but not the price we would have to pay for that whether by causing domestic inflation or by contracting immoderate indebtedness abroad. The restructuring of relations presupposes far greater reliance on our own capabilities, which are not small. For years a great deal has been invested in the economy, at a rate which is among the highest in the world: in certain years as much as about 40 percent of the gross social product went into gross investments. A tremendous amount of social wealth, then, accumulated, and we must invigorate it, link it together and synchronise its potential in our future development. Then the growth rate in and of itself, whether it is 5 or 6 percent--would not have decisive importance. It can be achieved in one way or in some other way, but higher labor productivity is the primary condition for more dynamic economic development.

Question: Nevertheless, why was the growth rate of the social product set at precisely 5 percent?

Answer: I think that there was caution involved here and an assessment of overall international and domestic conditions, which are obviously not favorable. But I feel that another reason lies in the following: up until now the number of unemployed and the growth of unemployment have dictated an annual growth rate of new jobs between 2.5 and 4.5. If in future we adopt a growth rate of the social product under 5 percent, the total growth

of the national income would be absorbed by the personal incomes of the new workers hired. There would not be room for a real growth of the personal incomes of the 5.5 million people now employed.

Question: Can we expect from that 5-percent growth any considerable improvement in the workers' standard of living?

Answer: Five percent is truly a cramped limit, and we can count on a 3.5-percent new job rate. We are left, then, with at most 2 percent for raising the real personal incomes and the social standard of living, which is not a particular incentive for more optimum and productive work. I therefore think that 5 percent is the lower boundary of the growth of the social product, one, however, which ought not to be a ceiling beyond which we "should not" go in our development--if the preconditions for exceeding it should exist. If we carry out all the changes I have talked about, and especially if we achieve a sizable growth of exports, we can count on a stronger worker initiative to achieve faster development. All the workers should be familiarized with the prospects afforded by a growth of less than and more than 5 percent, so that they would be mindful of them when they adopt their development plans and especially for the sake of better utilization of existing capacities.

Question: Do you feel, however, that in all of this there should also be changes in the structure of the economy?

Answer: I think that reconstruction of existing relations and revaluation of all past investments would result in a more effective solution to the structural problems in our economy in the coming period. But provided that in the joint agreements at the federal level we restrict ourselves to truly those structural changes which are the most necessary. The other problems in changing the structure of the economy ought to be solved in actual relations between organizations of associated labor.

Question: Differing level of development both of industries and also federal units have not so far been conducive to extensive formation of associations as the reliable road toward a more developed economy....

Answer: The emphasis in joint development policy should be on a relatively small number of joint goals in industries and activities. As for differences in regional development, there are still demands for development policy and changes in the structure of the economy to reflect the specific nature of the various regions. For example, in the underdeveloped regions one of the criteria for selection of capital investment projects must be development of industries and activities which are labor intensive and which will make it possible to increase employment. Slovenia, however, does not need anything of that kind. However, differences in level of development and also in the need for development of various activities in the republics and provinces are small by comparison with the need for joint capital investments. This Yugoslav interest in development of the economy has yet to be realized, above all, through the pooling of labor and capital.

Question: Does that mean that the coming medium-term period is a period when the break will be made with the present disproportion in economic development, that industries will be "moved" to regions which have better conditions for their development?

Answer: That in essence is the intention of the plan, but we nevertheless cannot expect to completely overcome disproportions in development either with respect to the industrial or the regional structure. However, in the more advanced regions the question has already been raised of minimizing production in the traditional industries and of reorientation toward new products which make it possible to achieve much greater income. Computer equipment, say, instead of production of footwear and textiles. This differentiation of profitable and unprofitable has already begun. In any case, the structure of the economy will have to be adjusted to capabilities in terms of natural resources, personnel and other resources, to knowledge and to the technology which we possess. The orientation toward the development of modern technology, toward production of food and energy, and so on, has the greatest prospects of achieving results on the world market. But provided it is verified by world criteria! This criterion ought to be decisive in development policy.

Question: It is usually the trade deficit that is mentioned as a limiting factor on development. What do you think about that?

Answer: I am opposed to the customary evaluations and formulations to the effect that the balance of payments is a limiting factor on our development. I think that this is a defensive posture, a passive attitude toward this problem. Of course, one cannot overlook the fact that our deficit in the balance of payments is today indeed a factor restricting development of the Yugoslav economy. However, I feel that this is more a matter of paying for sins of the past than for all time, an occasion missed for a broader inroad on the world market.

Question: The fact is that the deficit is growing....

Answer: We dare not stress the limiting factors of the balance of payments and not at the same time open up other prospects in commodity trade with foreign countries. This would amount only to the reflection of an economy in trouble, one which is not looking in the right direction for the way out. A relatively small national economy like ours, if it is to hold its own in the economic competition in the world, must adopt the premise that the world market is more necessary to it than to the large national economies which have an enormous market of their own. Our market is becoming more and more cramped for our products. We must therefore do everything and indeed pay the price necessary to achieve more room for our products on the world market! Without the everyday confrontation of the capabilities of our economy with what other national economies are achieving, there is no progress.

Question: Which industries have products with which we might make inroads on the world market?

Answer: With all those which contain multiplied and high-quality work. These are sections of machinebuilding, precision engineering, computer equipment, electronics as a whole....

Question: How much could we achieve with computer equipment in competition, say, with Japan?

Answer: A great deal. I do not think that we should always operate as independent producers, but as participants in cooperation. There is a place for us in that kind of world division of labor. But we must first prepare ourselves for penetrating the world market; carry out the division of labor at home, establish relations and associations among producers, achieve specialization in production and agree on joint marketing efforts abroad. Because of inherited differences in development the formation of associations is the only way to achieve a truly unified Yugoslav market. Of course, the large producers will have to overcome the orientation to carry on their entire production within their own factory.

Question: To what extent does this "delimitation" of labor also apply to regional boundaries?

Answer: The neglect of economic factors in the economy was godfather to the confinement of economies to the various republics and provinces and in fact to even smaller regions. This confinement negates the unified market, which under the constitution is one of the principal factors which should act toward faster economic development and the unity of the working class. However, the logic of resolving problems within the framework of sociopolitical communities is still persisting, and within opstinas self-sufficiency goes to absurd limits.

Question: Only 1 percent of the pooled capital extends over republic boundaries. Only 7 percent of income is earned in the form of joint income. About 10 percent of the OOUR's do not even have annual development plans. Can we nevertheless count on having solid foundations for development?

Answer: No one is going to enter into association if he can do business on his own. If the problem of division of labor does not exist for a single organization in the grouping, if the market is absorbing everything, if there is no necessity to export, and if imports can be had cheaply. In that case there are no true incentives for association regardless of how many people point to its political and economic significance. On the other hand, if it is not possible to earn income on the domestic market, if we cease to encourage losses by being quick to cover them, real incentives for entering into association will become evident. In any case, the formation of associations is our largest potential for development, and if we should nevertheless pursue this logic, we can expect new inroads in the material development of self-management relations as well.

Question: We have the foundation for all the changes in socioeconomic relations--from the constitution and the laws embodying the system to party and trade union resolutions, and everywhere there is insistence on the formation of associations. What sort of fateful incision needs to be made to carry out what has been agreed on? Is it by means of the future Law on Expanded Reproduction?

Answer: This cannot be achieved by merely adopting laws. There needs to be a change of relations: in economic policy, in lines of development, in the conditions for the conduct of economic activity and a change in relations toward the foreign market. Only the combined effect of all these altered relations can stimulate the producers to behave differently and can show them that there is no other way out than to establish links with one another. All the rest is persuasion, statement of principles of policy, but the economy, in the face of that policy, reacts only to real factors. It is not realistic, then, to expect that any law or individual measure will in and of itself solve the problems of forming associations.

Question: Do you think that associated labor is sufficiently organized along the lines of self-management and capable of assuming all those functions?

Answer: The general preconditions embodying the system, which are contained in the constitution and the Law on Associated Labor, are more than an adequate foundation for that. But these laws make it clear that all the mechanisms and all the changes in economic policy which determine behavior in the economy must be built on them as a foundation. It is in this that the strength of associated labor must be fully manifested.

Question: Does this mean that we must also count on a change in people's consciousness?

Answer: Yes, but the consciousness of the workers is an expression of the conditions in which they live and work. If we all live at our ease as we have done in recent years, the thought of full utilization of our tremendous potential will be remote.

Question: What are the practical possibilities of utilizing that potential? The majority of the workers still say that there has been enough "belt tightening" and creation of income and foreign exchange which are drained off through the self-managed special-interest communities. Does the solution lie in a redistribution of income through a simultaneous change of the relations you have been talking about?

Answer: Yes, but if we follow an order of sequence in the reconstruction of relations, the self-managed special-interest communities will not be in first place. This does not mean that their transformation is less important. However, we first need to alter the attitude toward economic laws, since otherwise there is no solution to other problems either. To begin

the changes in the special-interest communities would be like beginning at the top instead of the base, though there is no doubt that the changes must embrace both the one and the other.

Question: Simultaneous changes also commenced with the constitution and the Law on Associated Labor in that a large number of normative acts were adopted. Now it is the question of moving on to the essential relations rather than of finding them in a form that already exists--does that mean these documents must be amended once again?

Answer: I think that the new orientation in socioeconomic relations would diminish the amount of normative regulation of relations in associated labor. More economics logic in the conduct of economic activity will halt the spread of normativism. We should not have either the ambition or the illusion to suppose that everything can be regulated by enactment, not even within the framework of a single OOUR. On the contrary, that method should be used to regulate only what is indispensable to preserve the production relation, but their additional elaboration should be left to the initiative and interests of the workers of every collective and to associated labor as a whole.

7045

CS0: 2800

END

END OF

FICHE

DATE FILMED

19 JUNE '80

MAK

